THE BUDGET IN BRIEF

Meeting the needs of Manitobans

The Budget contains some important news for Manitobans:

- **The provincial economy is strong**
- **Services which improve Manitobans' quality of life are being protected and enhanced**
- **Significant resources have been put into new initiatives to make our health care system more effective**
- **Income and sales taxes remain unchanged**
- **Major reductions have been made to the Province's operating deficit**

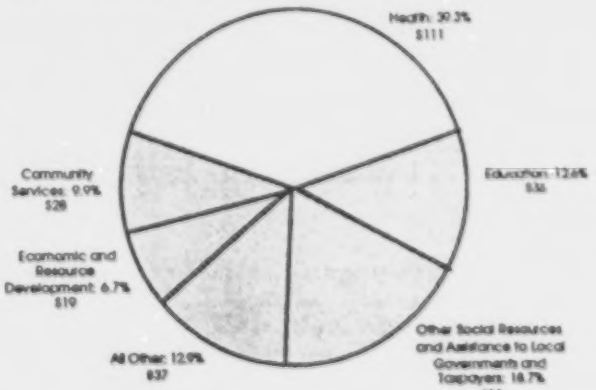
The Budget shows how the Government is responding to the priority needs of people while, at the same time, providing sound management of the economy.

The key priority outlined in the Budget is health care. In the coming year innovative health care initiatives will be undertaken to improve the quality and effectiveness of our health system. Other measures announced in the Budget will also help to improve the lives of Manitobans. These include increased support for child care and protection, for schools, for agriculture and for creating jobs for young people.

As well as preserving these vital programs for Manitobans, the Budget shows the Government's success in fiscal management. Impressive progress has been made in reducing the Province's deficit. This has been accomplished without any increase in personal taxes or sales tax this year. Details of these and other measures are outlined in this summary of the 1988 Manitoba Budget.

Distribution of New Spending

Per Cent of Total and Millions of Dollars



Total Increase $284 million

Source: Manitoba Department of Finance

Health accounts for the largest percentage of the spending increase.

The Honourable Eugene Kostyra
Minister of Finance

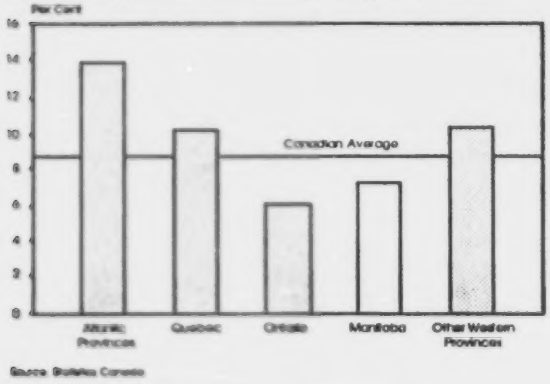
Manitoba
Finance

A Strong Economic Foundation

The economy of Manitoba has provided a solid base upon which to build our future. The province has entered its sixth consecutive year of economic expansion, displaying one of the strongest performances in the country. Through a sensible combination of public and private investment, jobs have been created and the province has prospered. The facts underscore the good results:

- The economy continues to grow. The volume of goods and services produced in Manitoba (Gross Domestic Product) has increased at the third highest rate in Canada over the past five years.

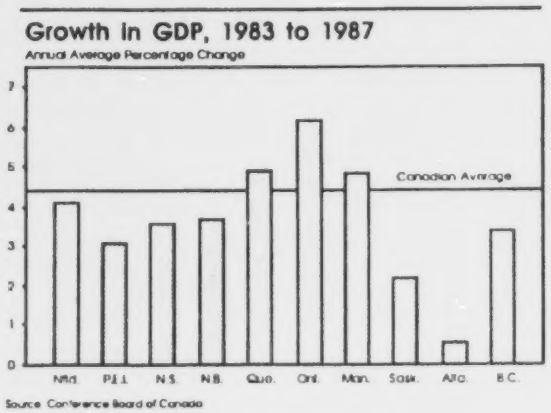
- Investors are showing their confidence in Manitoba as a place to do business. Between 1983 and 1987, investment in new buildings and equipment has advanced at a rate twice the national average. This rate of new investment is the second best in Canada.



Manitoba has low unemployment

- More Manitobans are at work. In January the province's unemployment rate was the second lowest in the country. The rate has been declining for four straight years.

While most of the economy has been doing well, we are still very concerned about the situation in Manitoba's farm communities. An international trade war has drastically reduced grain prices. As a result, incomes in much of the agricultural economy have shrunk. The Government has responded with income-support programs and tax relief, but, until the global crisis is resolved, problems will remain.



Manitoba is near the top in economic growth

In managing the economy, the Government has been guided by the responsibility to balance the interests of all Manitobans. Through co-operation with business, labour, non-profit groups and many other sectors, the Government is working to build a bright and secure future for all citizens of the province.

Programs for Manitobans

The Budget contains these significant changes in Provincial spending for the coming year:

■ HEALTH CARE

- $111 million more for health care...including the first $10 million of the new $50 million Health Services Development Trust Fund. The Fund will support the development of a more effective health system.

■ COMMUNITY SERVICES

$11 million more for child protection and foster care;
- $7 million more for child-care funding to provide additional day-care spaces.

■ EDUCATION

- $36 million more for schools, colleges and universities.

■ AGRICULTURE

- $5 million more to help the farm community in a time of crisis. The Special Farm School Tax Assistance Program which provides benefits of $12 million has been extended for a second year.

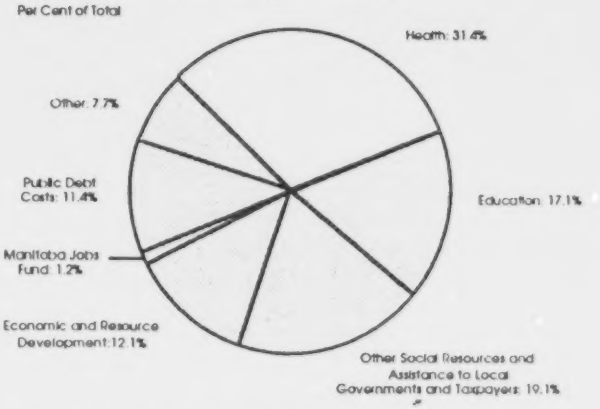
■ TAX CREDITS

- $32 million in additional tax credits announced last year are now assisting low and moderate income earners.

■ TOTAL

- In total, an additional $284 million will be spent on programs for people.

Provincial Spending, 1988/89


Per Cent of Total
Health: 31.4%
Other: 7.7%
Public Debt Costs: 11.4%
Education: 17.1%
Manitoba Jobs Fund: 1.2%
Economic and Resource Development: 12.1%
Other Social Resources and Assistance to Local Governments and Taxpayers: 19.1%

Health and other services receive largest portion of Budget

Total Program Spending

(Thousands of Dollars)

Health	1,439,000
Education	783,000
Other Social Resources and Assistance to Local Governments and Taxpayers	879,000
Economic and Resource Development	556,000
Manitoba Jobs Fund	54,000
Other	353,000
Total	**4,063,000**

Note: Totals in the chart may not add due to rounding.

Making the Right Choices

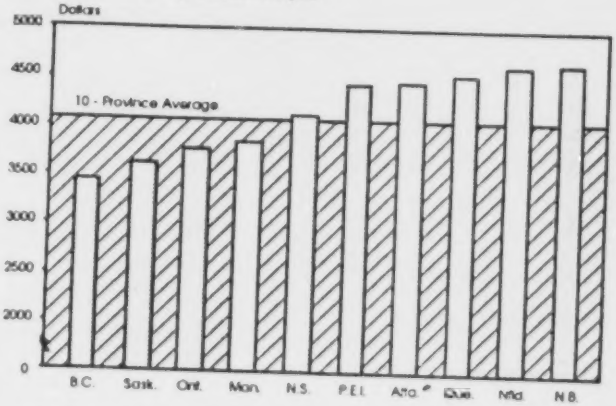
The Government is committed to streamlining its operations and administration. There has been an intensive examination of all areas of spending. Difficult choices have been made.

In the coming year, some program areas will receive little or no funding increase. Six departments will receive increases less than inflation; six others will get less than they did last year. But in the areas of priority — health care, job creation for young people, education, agriculture and social services — the level of the Government support will rise significantly.

Making the right choices and providing value for tax dollars is the measure of a good government. Manitobans enjoy quality services but the cost of Provincial spending is $200 less per person than the interprovincial average.

Provincial Spending per Person

Interprovincial Comparison, 1987/88

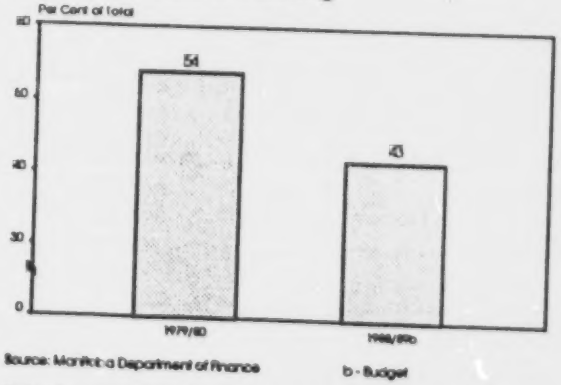


Manitobans receive good value for their dollar

An example of the commitment to change is a new policy on medical transportation. After April 1, reasonable transportation costs will be paid for Manitobans needing treatment at medical centres outside the province. Critically-ill patients needing out-of-province care will be transported free by the Provincial Air Ambulance Program.

Providing accessible, high-quality health care has always been a priority of our Government. As health costs increase and the federal share of support drops, innovative efforts will be required to meet the challenges that face our health care system.The creation of the $50 million Health Services Development Trust Fund as well as other new health programs, will help us to develop effective ways of caring for Manitobans now and in the future.

Decline of Federal Share of Health and Higher Education Funding



Federal government has reduced the share it pays for vital programs during the past decade

Fairness in Taxation

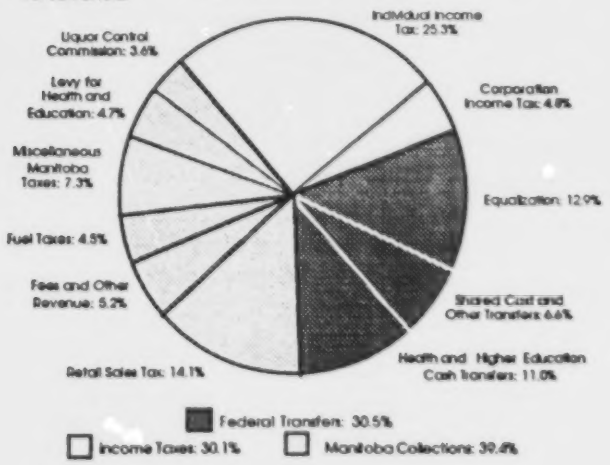
To protect services vital to Manitobans, the Provincial Government must ensure that it has sufficient revenue. Our government, however, is committed to ensuring that revenue is collected according to people's ability to pay — that the tax system is fair and progressive. The 1988 Budget outlines these revenue measures:

Holding the Line

- there will be no increase in personal income tax;
- there will be no increase in the sales tax;
- there will be no general increase in business taxes;
- adjustments are being made to the tax credit system to protect the benefits of low and moderate-income earners as a result of changes brought about by federal tax reform.

Sources of Provincial Revenue, 1988/89

Per Cent of Total


Individual Income Tax: 25.3%
Corporation Income Tax: 4.8%
Equalization: 12.9%
Shared Cost and Other Transfers: 6.6%
Health and Higher Education Cash Transfers: 11.0%
Retail Sales Tax: 14.1%
Fees and Other Revenue: 5.2%
Fuel Taxes: 4.5%
Miscellaneous Manitoba Taxes: 7.3%
Levy for Health and Education: 4.7%
Liquor Control Commission: 3.6%
Federal Transfers: 30.5%
Income Taxes: 30.1%
Manitoba Collections: 39.4%

Where the money for programs come from

■ HEALTH AND ENVIRONMENTAL MEASURES

The Government's commitment to preventive health and protection of the environment is reinforced by its revenue decisions.

- The tobacco tax will be increased 9/10 of a cent per cigarette, effective March 28;
- A surcharge of .9¢ per litre will be levied on leaded fuels to encourage the use of less polluting fuels, effective July 1.

■ BUSINESS TAXES

- Selective fuel tax increases include:
  1.4 ¢ per litre on locomotive fuel
  2 ¢ per litre on aviation fuel
- The general mining tax rate will be increased from 18% to 20%
- A new refundable 7% tax will be levied on mining profits to ensure that mining corporations pay a fair minimum tax to the Province. Five per cent of mining taxes along with resources from existing programs will be put into a new Mining Development Fund designed to ensure the future of Manitoba's mining communities.

A Fair Share

Fundamental to fair taxation is the principle that those who earn least should pay the lowest taxes. Manitoba's progressive tax system, along with our tax credits, ensures that this is true. Comparisons of Manitoba taxes with those levied in other provinces shows that the goal of fair taxation is being achieved.

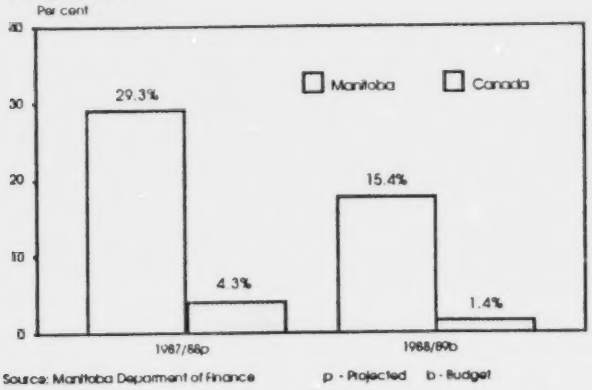
Managing for the Future

During this decade, most governments have spent more each year on programs and services than they have collected in revenues. Running a deficit allows the preservation of services and economic activity during bad times like the recession of the early 1980s.

Now that economic conditions have improved, it is possible to improve the deficit situation. Very significant progress has been made over the past year in reducing the Manitoba deficit.

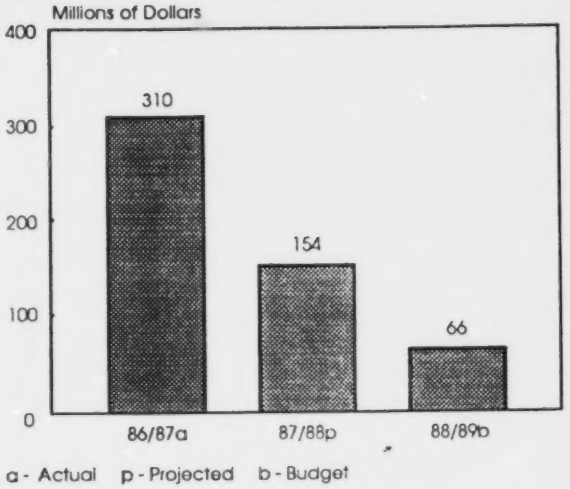
A comparison with the rate at which the federal deficit is being reduced shows how rapid that progress has been.

Rate of Deficit Reduction, Manitoba vs. Canada



Manitoba has been reducing its deficit at a much faster rate than the federal government

Manitoba Deficit Reduction



Manitoba's operating deficit will be reduced by 78% from 1986-87 levels.

	1986/87a	1987/88p	1988/89b
		($ Millions)	
Net Requirement	559	395	334
Less: Capital Expenditure	249	241	268
Net Operating Requirement	310	154	66

If you would like to receive more information on the 1988 Manitoba Budget complete this coupon and return to:

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Winnipeg, Manitoba
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THE 1988 MANITOBA BUDGET ADDRESS

The Honourable Eugene Kostyra
Minister of Finance
February 26, 1988

House Edition
Check Against Delivery

Produced by the Queen's Printer (M.G.E.A.)

The 1988 Manitoba Budget

Errata:

The following table which appears on page 8 of the Budget Address should read as follows:

MANITOBA ECONOMIC FORECASTS, 1988	
Real Gross Domestic Product	2.5% Growth
Employment	1.5% Growth
Unemployment Rate	Down to 7.1%

Source: Survey of Forecasters

ISSN 0380-4488

1988 MANITOBA BUDGET ADDRESS

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SUMMARY OF MANITOBA'S BUDGETARY POSITION, 1988/89

NET BUDGETARY REQUIREMENT

	($ MILLIONS)
Budgetary Expenditure	4,557
Budgetary Revenue	4,223
Net Budgetary Requirement	334

NET OPERATING POSITION

	($ MILLIONS)
Net Budgetary Requirement	334
Less Capital Expenditure	268
Net Operating Requirement	66

Madam Speaker:

INTRODUCTION

It is an honour for me to present my third Budget to the Legislature and the people of Manitoba.

Today's Budget builds upon the long-standing commitments of this government...commitments we have made to the people of Manitoba...commitments we will continue to keep:

- a commitment to defend the right of all Manitobans to live in a just and equal society;
- a commitment to create jobs by supporting economic development;
- a commitment to protect and enhance health, education and other vital services which improve the quality of life;
- a commitment to restore fairness in taxation; and
- a commitment to conduct our Government's affairs in a fair, balanced and fiscally responsible manner.

Today's Budget will show how we are bringing form and substance to these promises. It will show that we have managed well...that we are undertaking major initiatives to improve this province's health care system...that we are meeting the priority needs of Manitobans, and at the same time making major reductions in the deficit.

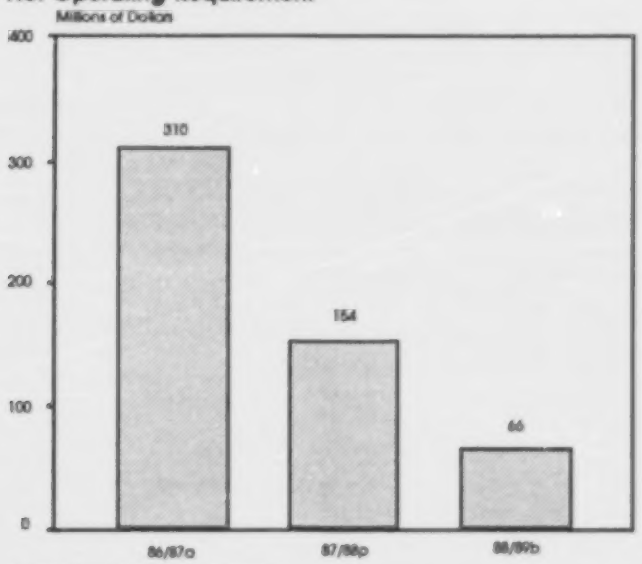
In every Budget since 1981, we have acted on our belief that social progress and economic progress go hand-in-hand. We have continued a consistent strategy.

That strategy has demanded difficult choices. Competing demands and different viewpoints have to be considered. No government is perfect. But, we have always worked in the best interests of the people of Manitoba. Our record proves that this approach works.

Since New Democrats took office in 1981, the Manitoba economy has shown one of the strongest performances in Canada...six years of accomplishment. Elsewhere, Conservative administrations practice acute, protracted restraint and threaten the social programs Canadians have worked so hard to build. Our Government has protected and improved public services.

Today's Budget shows our economic and social progress in Manitoba are matched with continuing fiscal improvement.

Net Operating Requirement



Source: Manitoba Department of Finance

Manitobans are proud of the progress achieved since 1981. Working with one another...supported by the policies of our Government, they have achieved a truly remarkable turnaround.

- Health, education, and other public services are being protected and enhanced.
- Throughout the province, Government has worked with businesses, both small and large, to encourage investment and to build a stronger future.
- The family farm is receiving unprecedented support.
- Development of our Hydro resource has been renewed. We have found assured markets and have opened up jobs and business opportunities for Manitobans...especially those living in the north.
- Downtown Winnipeg is being revitalized.
- Initiatives like affirmative action and day-care are providing greater opportunities for those in need.
- Pay equity is contributing to greater equality for women in the workplace.

Our record is good. Much has been accomplished, but much still remains to be done to guarantee a just and prosperous future for Manitobans.

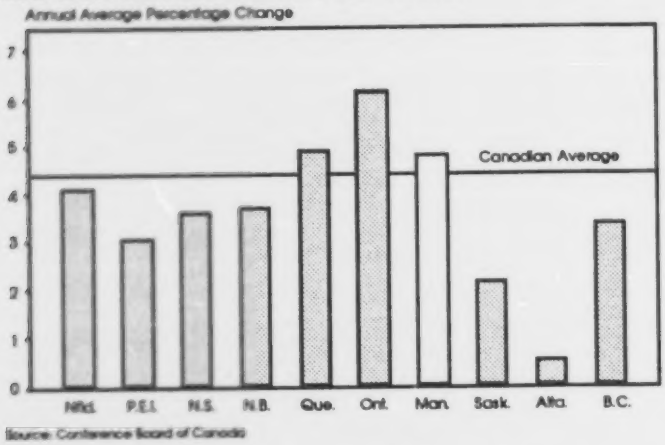
A REVITALIZED ECONOMY

Manitoba has entered its sixth consecutive year of economic expansion. During the 1980s, Manitobans have reversed the dismal performance recorded under the previous Conservative administration. We have regained the ground lost during the recession of the early 1980s. Manitobans, working together, are building a stronger, fairer future, with more job opportunities for all.

Over the last five years, real Gross Domestic Product in Manitoba increased at the third highest rate among provinces ...by 4.9% annually compared with 4.4% in Canada as a whole.

Investment was a major factor in this strong growth. The up-

Real Gross Domestic Product, 1983 to 1987



Source: Conference Board of Canada

surge in residential construction which began in 1983 is continuing to provide jobs and quality, affordable housing. There were 8,174 housing starts in the province last year, the highest number in nine years.

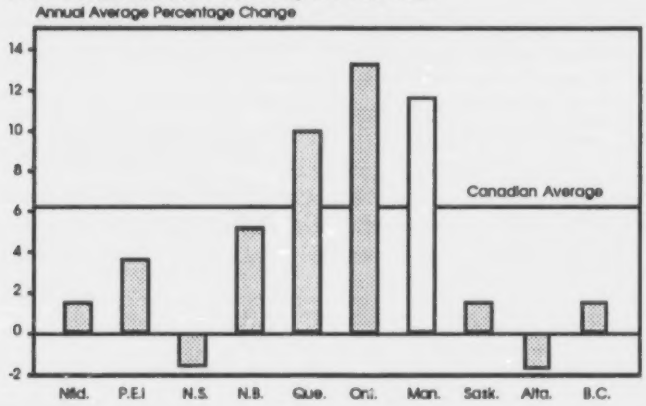
Non-residential new capital investment spending increased 56% in Manitoba over the last five years, double the national increase of 28%. And, according to a federal survey, large firms plan a strong investment program again this year.

Most sectors have shared in the expansion of the 1980s. The results include more businesses, more jobs, and better incomes.

Some 36,000 new jobs were created in Manitoba between 1981 and 1987, with private sector employment growth matching the national increase. And, last month, Manitoba's unemployment rate was second lowest in Canada.

Personal income per person averaged $16,775 last year. Growth of 18% more than inflation has been achieved since 1981, as personal income in Manitoba improved from 91% to 94% of the national average.

Non-Residential Investment, 1983 to 1987

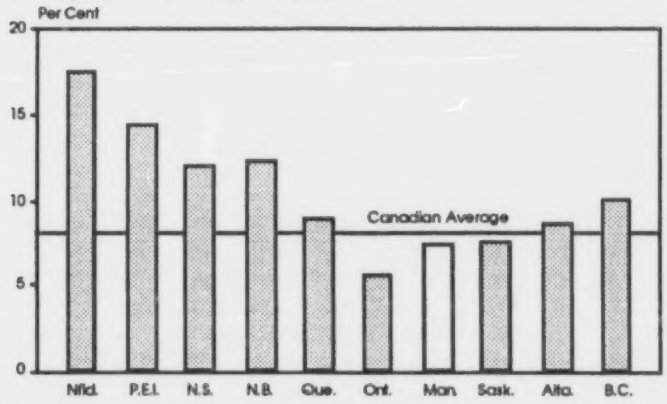


Source: Statistics Canada

Aided by higher world prices, the mining and petroleum sector recorded a 33% increase in the value of production in 1987...surpassing $1 billion for the first time in Manitoba's history. New production capacity is coming on-stream. The Namew Lake nickel mine near Flin Flon is expected to be in full production by the end of the year, securing jobs in the mining industry.

Construction activity increased 4.1% in 1987, to $2.9 billion, another record. Employment in construction increased to a nine-year high...virtually matching its all-time peak of a decade ago.

Unemployment Rates, January 1988



Source: Statistics Canada

We share farmers' and rural communities' concern with the outlook for international grain prices. Low prices have dampened employment and income growth in many sectors of the economy. Sustained recovery in international grain prices would mean major benefits for Manitoba.

Food processing and other manufacturing industries are adapting to changing markets. Burns Meats has begun a four-year, $25 million expansion of its Manitoba slaughtering and processed meat plants, to serve national and international markets. Manitoba's central location was key in a decision by Fripp Fibre Forms Inc. to build a new food packaging products plant in Winnipeg.

The farm machinery industry continued to experience declining demand in 1987, although it is well positioned for a longer-term recovery of markets. Ford-New Holland's federally assisted purchase of Versatile's four-wheel drive tractor plant secures Manitoba's leadership in exports of advanced technology farm equipment.

Outside of food and machinery industries, manufacturing shipments increased 7.0% in 1987, significantly above the 4.6% national increase. Transportation equipment shipments increased by 20% last year. The disappointment at the loss of the CF-18 contract remains. But successful contract bids by companies such as Bristol Aerospace Limited and StandardAero in the aerospace sector, and by New Flyer Industries in urban bus manufacturing, ensure continued solid performance in the year ahead.

Major established firms and dynamic new businesses are contributing to job creation in Manitoba's service and manufacturing industries.

- Last year, Investors Group Inc. expanded into its new headquarters in the North Portage area.
- Canada's two major airlines have established a new consolidated reservations system in Winnipeg, to serve the national travel industry.
- Rescom Ventures Inc. is developing and marketing computer software products for the investment industry in Canada, the United States and the United Kingdom.
- Voisys Inc., affiliated with Winnipeg-based Comcheq Services Limited, manufactures and markets micro-computer voice response systems, with many business applications.
- IBM has established its geographical systems support centre for Canada in Winnipeg.

All told, there were more than 3,000 new business establishments, and 9,000 new jobs in service industries in 1987.

Important strategic initiatives for the future must include measures to promote balanced growth and job opportunities among regions within Manitoba, and to promote stronger linkages among businesses. Confirmation of federal support for the rural sewer and water program would help strengthen our rural infrastructure.

Public health care in Canada has fostered the development of world-class technologies and research capabilities. The federal decision to establish the national disease control centre in Winnipeg, and the enhanced opportunities it will bring to businesses in the health industry, builds on these strengths in Manitoba. About 50 firms in Manitoba are involved in medical and bio-technology research, and producing health care products for the domestic and export market.

- 3 M Canada Inc. has established a plant in Morden to manufacture a variety of products, including surgical masks, monitoring electrodes and ligament augmentation devices for the international market.
- Otto Bock Orthopedic Industries of Canada Ltd. exports prosthetic and orthotic products important to persons with disabilities.
- ABI Biotechnology Inc. is engaged in the transfer of technology from the health and academic research communities to commercial applications, in areas such as human growth hormones and virus-killing solutions.
- Shur-lift Industries Ltd. has expanded its product line into patient lifting systems.
- Unisys Canada Inc. has established a national health care computer systems technology centre in Winnipeg, and is actively engaged in the installation of major health care information systems across Canada.

Further initiatives to develop the health industry sector in Manitoba have been identified as top priorities by both the federal and provincial governments. The importance of proceeding with these initiatives was confirmed during Prime Minister Mulroney's meeting with Premier Pawley in Winnipeg last summer. We are optimistic that the federal government will sign the formal Memorandum of Agreement to pursue these health industry development initiatives shortly.

International and national developments will continue to influence our economic performance. The global environment is characterized by large trade imbalances, massive capital movements and divergent policy approaches. Growth has slowed. Greater uncertainty surrounds the development of trading and financial relations.

Many Canadians and Manitobans support trade liberalization. They recognize that resistance to protectionist pressures, and the gradual elimination of trade barriers, would help resolve international imbalances and yield long-term benefits. The Canada-U.S. Trade Agreement, signed last month, however, goes far beyond matters of trade...to affect foreign investment, management of energy resources and the future viability of Canadian cultural industries. Complex labour market adjustments are expected to involve thousands of lost jobs and job replacements. Uncertainty about the federal commitment to regional development programs, coupled with the lack of guaranteed adjustment assistance, have served to heighten Manitobans' concerns about the trade arrangement.

Outlook

Manitoba's economy has shown substantial progress in the 1980s. The combination of rising living standards, assured public services, and the creation of assets for the future, demonstrates the success of the Manitoba approach. The stage has been set for continued solid gains.

The Canadian economy is expected to continue to fare relatively well in 1988, with real growth forecast at about 2.5%. Lower interest rates would enhance growth prospects and help reduce regional unemployment disparities and create more jobs.

In Manitoba, a number of major apartment and office construction projects are under way or on the drawing boards. The Toronto-Dominion Bank will invest $70 million on a major new office tower at Portage and Main in Winnipeg. Federal Industries Ltd. will expand its headquarters into a new $15 million building scheduled to begin construction this spring. Tantalum mining is expected to be back in full operation by mid-year. Employment and capital spending on the Limestone project will move into its peak period in 1988.

Overall growth in Manitoba in 1988 is predicted to be close to or, according to some forecasts, slightly above the Canadian average.

MANITOBA ECONOMIC FORECASTS, 1988

Real Gross Domestic Product		2.5%	Growth
Unemployment		1.5%	Growth
Unemployment Rate	Down to	7.1%	

Source: Survey of Forecasters

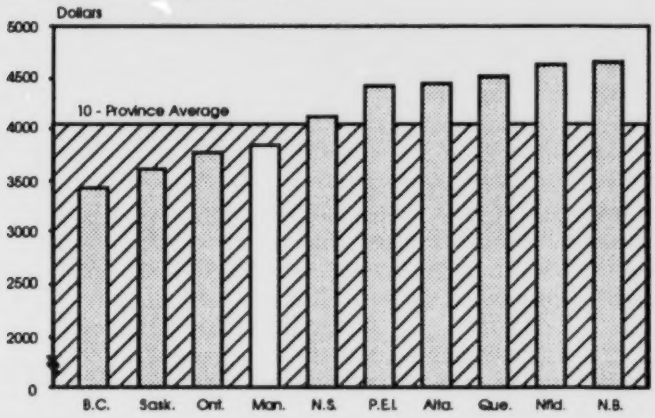
RESPONSIBLE BUDGETING

Good budgeting requires responsible choices and balanced priorities. Services and programs must be provided, and taxes must be kept fair and competitive. Investment and borrowing undertaken now, must be balanced with future payment obligations.

Value for the Tax Dollar

Manitobans can point with pride to the fact that they receive services which are among the best in the country. Health care is provided without regressive premiums or unfair user fees. Our community programs are unmatched. Our day-care system is the best in Canada. Jobs and training have a high priority with a New Democratic Party Government. Yet, Manitoba's overall spending remains moderate. It is fourth lowest among provinces, and almost $200 per person lower than the 10-province average. That is good value for money.

Expenditure Per Capita
Interprovincial Comparison, 1987/88



Source: Midland Doherty

We are determined to make even more effective use of each dollar that is spent. Ensuring full value for the taxpayer's dollar is a continuing challenge.

Last year, we improved Government's overall financial management framework by strengthening Treasury Board. A number of improvements in expenditure management, including some streamlining of internal Government operations, are being undertaken.

- As announced in January, 21 senior management positions in 13 departments have been eliminated. These positions would have carried salary costs of approximately $1.3 million in 1988/89.
- In communications, our reorganized system will result in economies of scale, with 1988/89 cost savings of $550,000, and a reduction of 14 positions.
- In personnel administration, we are re-aligning workloads, and eliminating seven positions in 1988/89, involving salary costs of $290,000.
- In general administration, the operations of eight smaller departments will be consolidated to improve functioning and to reduce costs. A reduction of more than $100,000 annually, and five staff positions, is anticipated when this is fully implemented.
- In computer systems development, we have reduced reliance on external consultants. Existing professional staff will be utilized to create an internal consulting pool and to allow better use of human resources. In 1988/89, costs will be reduced by $750,000 through this initiative.

These measures are examples of initiatives designed to improve and streamline the internal operations of Government without affecting public services.

Spending in 12 departments has been held to less than the rate of inflation. In six Departments...Natural Resources, Housing, Labour, Attorney-General, Government Services, and Municipal Affairs...spending growth has been limited to between 0.4% and 3.5%. In six other Departments...Highways and Transportation, Culture, Heritage and Recreation, Energy and Mines, Industry, Trade and Technology, Business Development and Tourism, and Co-operative Development... spending authority for 1988/89 is less than last year.

Funding for programs has been repriorized wherever possible, and savings have been achieved in areas which will not affect services vital to Manitobans.

The decisions have not been easy, but they were necessary.

I would like to cite a few examples.

Disbanding the Law Reform Commission will save $277,000 annually, while eliminating funding to the Manitoba Design Institute will save an additional $65,000.

In Government Services, costs are being reduced in a number of areas, including workshop expenditures, administration, lease rates, closure of surplus buildings, materials purchasing, and vehicles purchasing. In 1988/89, these measures will save more than $1 million.

In Energy and Mines, energy conservation programs are being streamlined to save $275,000 in 1988/89.

In Health, we are achieving savings through selective and acceptable measures. Our payment system for out-of-Canada hospital benefits for people travelling or on vacation, will be changed in line with other provinces, to equate to comparable costs of services provided in Manitoba. We expect to save $1 million next year through this measure.

Spending reductions such as these were achieved as a result of a careful and thorough consideration of what would be fair and reasonable. The resources saved have helped us to meet the higher priority needs of Manitobans.

Longer-term reviews of areas with potential for increased efficiencies and improved effectiveness are under way. Together with the continuing assessment of administration, management, and programs, we are striving to make good government better and to meet priority needs as efficiently and effectively as possible.

Our efforts to ensure full value for money do not end with departmental operations and direct program delivery. We are aware of problems in some Crown Corporations and are taking action. Last year, we initiated the first comprehensive reform of Crown Corporations in Manitoba's history. The Crown Corporations Accountability Act provides ways to make the Corporations more accountable to Manitobans. The Public Investments Corporation of Manitoba has now been established with a strong mandate for financial monitoring, to ensure the Corporations meet their prime objective of serving Manitobans. And the major Crown Corporations will hold public meetings, at least annually, to ensure Manitobans have an opportunity to raise their concerns and questions.

The taxes and charges Manitobans pay remain among the lowest in Canada for average-income earners. Our taxes are distributed more fairly, according to ability-to-pay, with higher-income earners expected to pay a fair share. Total revenue in Manitoba remains third lowest among provinces on a per person basis, $250 below the 10-province average.

Manitoba's emphasis on protecting vital public services, creating jobs, and strengthening the economy is securing good fiscal results compared to many other jurisdictions.

Manitoba's deficit is fifth lowest among the provinces on a per capita basis. Moreover, our deficit is being reduced much faster than the federal deficit. The 29% reduction in Manitoba in 1987/88 is a marked contrast with the 4% federal reduction. This Budget continues on this path.

Borrowing and Assets

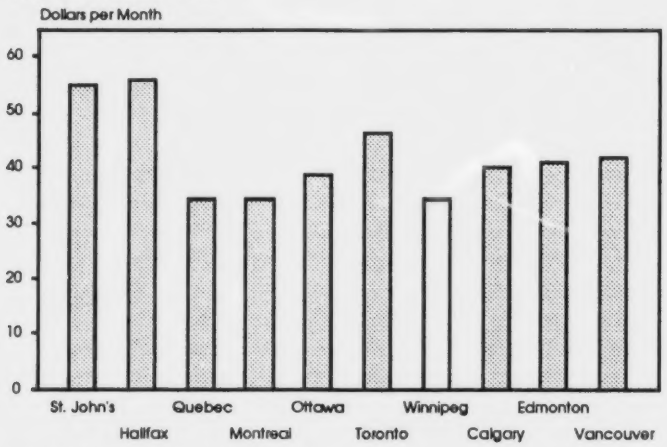
Borrowing has helped finance past investments in our public infrastructure, support the economy and protect services for people when revenues were insufficient to meet needs. The annual costs we pay through debt charges are balanced by the benefits of these investments and services, not only for us today, but for our children and our grandchildren.

These benefits are extensive.

Consider our Province's investments in highways, roads and bridges; in hospitals, schools, colleges and universities; in public buildings and public works. The continuing benefits of the investments balance the interest on the debt required to finance them.

Consider our Hydro system. It provides low-cost, safe, secure energy that is the envy of the world. The asset value of Hydro far exceeds the debt incurred for its development.

Residential Electricity Costs
Major Canadian Cities



Note: Rates effective February 1, 1988, based on 750 kW h consumption

Source: Manitoba Hydro

Similarly, our telephone system provides world-class service to Manitobans at reasonable costs. Standard residential service costs $8.65 a month in Winnipeg, compared with $13.15 in Toronto, a saving of $4.50. The savings are even greater on business service which costs $22.80 a month in Winnipeg, compared with $43.75 in Toronto, a saving of $20.95.

Major profitable projects, such as Limestone, provide jobs today and revenue for the future, benefits which clearly make the investment worthwhile.

We believe it is important to build for the future, where long-term benefits balance the borrowing costs of such investment.

Any interprovincial comparison of borrowing costs should recognize that Crown Corporation borrowing is managed differently across provinces. Statistics Canada includes all of these costs for Manitoba, but does not include them for some other provinces. Even if Crown Corporation borrowing costs were included for all provinces, the comparison would not capture the benefits that residents in provinces with substantial resources and investments in Crown Corporations receive through investment income and lower-cost services than in provinces without such assets.

Manitoba's total debt is about $500 per person less than in Conservative Saskatchewan. Our debt ranks fourth highest among provinces. In contrast, the last Conservative budget in Manitoba in 1981, reported that Manitoba's debt was $1,794 per person more than in Saskatchewan, and second highest on a per capita basis among the provinces.

The majority of Manitoba's total debt is self-sustaining, and costs are paid from investment income. The net debt for provincial purposes supported by taxation is equivalent to less than one year of Government revenue today. In contrast, former Premier Duff Roblin noted, in the 1962 Manitoba Budget:

> "...in 1945 it would have taken over 2 1/2 years to retire the outstanding net debt from annual current revenue, in 1961 this could have been accomplished in less than 1 1/4 years."

Today, it would take less than one year to retire the outstanding net debt from current revenue.

Debt service costs paid by taxpayers remain in the mid range among provinces. In 1987/88, five provinces had higher debt costs per person than Manitoba.

GOVERNMENT SERVICES
Overview

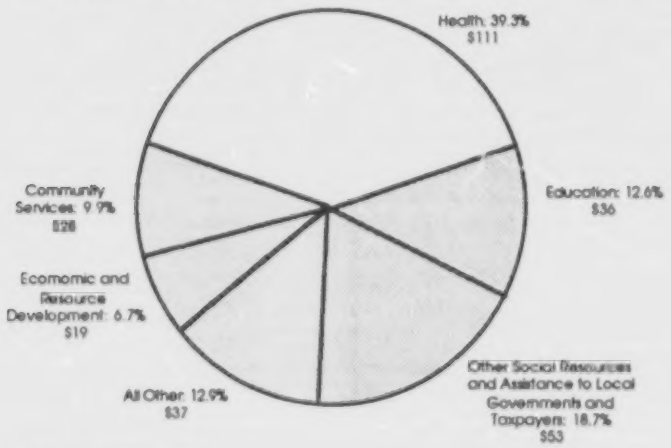
Providing public services such as health care, education and training, law enforcement, child and family services, housing, highways, parks, and the protection of the environment for over a million Manitobans requires substantial resources.

This Budget proposes $4.033 billion for programs and services in 1988/89, up $284 million, or 7.5%. Public debt costs estimated at $523 million, bring total spending to $4.557 billion.

A breakdown of the program spending increases shows our priorities.

- Health care receives $111 million, or 39% of the increase.
- Education receives $36 million, or 13% of the increase.
- Tax credit payments and assistance to local governments receive $53 million, or 19% of the new funding.
- Community Services and Corrections, including Child and Family Services, receive $28 million, or 10% of the increase.
- Economic and Resource Development, including Agriculture, receive $19 million, or 7% of the new funding.

Program Expenditure Increase by Category
Millions of Dollars and Per Cent of Total



Total Increase $284 million

Source: Manitoba Department of Finance

Meeting the Health Care Challenge

For Members of the New Democratic Party, the provision of quality health care available to all is a basic commitment, the very foundation upon which our Party was built. We remember the struggle led by Tommy Douglas to establish Hospital Insurance and Medicare programs in Canada. For the Manitoba New Democratic Party Government today, the provision of quality health care is a responsibility which must be fulfilled.

This Budget meets our commitment to preserve and improve health care for Manitobans with $1.439 billion in resources for 1988/89, an increase of 8.4% over last year.

These resources are devoted to meeting the priority health needs of Manitobans today and in the future.

- The cost of prescription drugs continues to escalate dramatically. The Pharmacare budget will be increased by $7 million, or 23%, to $38 million, to help Manitobans with these costs. Last year, 119,000 Manitobans received an average benefit of $248 under Pharmacare.
- Manitobans have clear preferences about health care. They want more care at home, within a supportive family and neighbourhood environment. They also want preventive health measures. These services are often an important alternative to high-cost institutional care. Last year, some 25,000 Manitobans were served by our Home Care Program.
- We have made a significant investment in community care and preventive health programs over the past few years. This development will be accelerated with a 24%, $12.5 million increase, bringing the Community Health Services budget to $66 million.
- Manitoba's Personal Care Home Program provides residential care for more than 8,000 Manitobans, mostly senior citizens. Some $178 million is allocated to the Personal Care Home Program in 1988/89.
- The Medical Services Program is set at $251 million, up $17 million, to meet the escalating costs for medical care. Some 930,000 patients are expected to receive service from medical practitioners in 1988/89.
- Hospital services funding will increase $42 million, or 6%, to $749 million. Some 107 hospitals and community health centres are funded through this expenditure. The high standard of our hospital care will be maintained, and important improvements will be initiated.

The Health Services Development Trust Fund

I am especially pleased that this Budget provides funds for a major new health care initiative introduced by the Minister of Health earlier this week. We are determined to meet the long-term care needs of citizens...to enhance our efforts at preventive health...to introduce community alternatives to institutional care, and to develop a health system that is more innovative and responsive to new ideas and changing needs... in keeping with the traditions established by Tommy Douglas and the N.D.P. To meet these challenges, we are creating a special $50 million Health Services Development Trust Fund. The Health Fund will be established through legislation, with start-up funding of $10 million available in 1988/89.

Specific initiatives which could be supported by the Fund include:

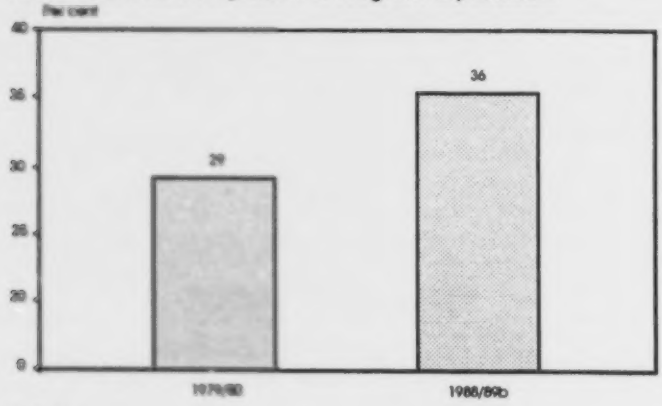
- measures focussed on preventive health and promotion of healthier lifestyles;
- initiatives to improve availability of health services in rural and northern Manitoba;
- further development of community health centres, and alternatives to in-patient hospital services;
- improvements in mental health services throughout the province;
- incentives for more economical delivery of health care services.

The Health Fund is a good example of the way this Government chooses to invest its resources in order to improve service and to get better value for our health care dollars. It is a progressive way to meet the challenges of health care, and to forge a "new partnership" with all segments of the health community for the decade ahead.

In addition to the Health Trust Fund, we are continuing to provide resources for other health initiatives.

- A new and expanded out-of-province transportation policy is to be introduced. Under this policy, critically ill Manitobans requiring transportation to medical centres outside of Manitoba, for approved services not available in this province, will be transported by the Provincial Air Ambulance Program, without cost to the patient.
- In addition, effective April 1, 1988, people referred to medical centres outside the province for approved procedures or tests not available in Manitoba, will be eligible for reasonable transportation costs. This program expansion will further enhance Manitobans' access to highly specialized medical services, without the financial barrier of prohibitive transportation costs.
- Measures to strengthen health research were promised in the recent Speech from the Throne. We can be justifiably proud of the record of success of the health research community within Manitoba. Health research and related technology development have proven spin-off benefits in terms of jobs and investment. I am pleased to announce an

Health Care as a Proportion of Program Expenditure



b - Budget

Source: Manitoba Department of Finance

additional $1/2 million grant to the Manitoba Health Research Council to aid this effort in 1988.

Health care expenditure is budgeted at $1.439 billion in 1988/89, or 36% of provincial program expenditure, up from 29% in 1979/80. Lottery revenue of $10 million will be dedicated to health care.

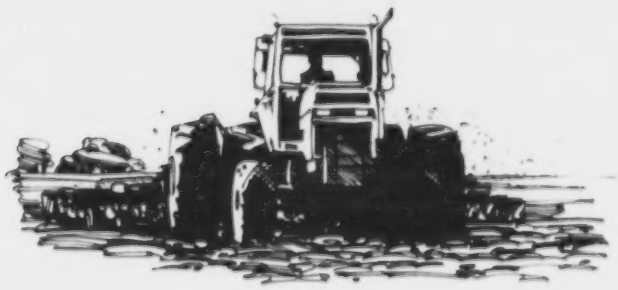
Agriculture

The future of family farms is of concern to all Canadians. It is particularly important in Manitoba because farming has been so important to our province's economic development. That is why our Government introduced and maintained initiatives to support farmers and their communities in coping with the consequences of very difficult international forces.

Last year, the Manitoba Agricultural Credit Corporation offered clients an opportunity to purchase lower interest rates on long-term loans. Over 1,100 farmers chose this option, resulting in a saving of $35 million in interest over the terms of their loans. As well, the Guaranteed Operating Loan Program continues to encourage financial institutions to extend operating capital to farmers.

Last year, I announced a Special Farm School Tax Assistance Program. To date, applications representing over 20,000 farmers, and $8.4 million in special school tax assistance payments have been processed. The total pay-out is expected to reach close to $10 million. Applications for 1987 benefits can be made until November 15, 1988, and I would encourage all farmers who have not applied, to do so.

The pressures on the family farmer have not yet been relieved. Therefore, I am pleased to announce an extension of the Special Farm School Tax Assistance for a second year. The Budget includes provision for $12 million in benefits. In recognition of their role in administering this Program, advance payments, totalling two-thirds of the claims processed in 1987, will



be provided to local governments shortly after the rural property tax statements are issued.

The establishment of the Manitoba Mediation Board has helped ease pressure on farmers in financial distress. By mid-February, the Board had received 250 applications. Two-thirds of these are under the voluntary section of the Family Farm Protection Act...a demonstration of farmers' and lenders' confidence in the mediation process in these difficult times.

Farm income support programs will be strengthened. A new stabilization program for cattle feeders will be established to encourage feedlot finishing of cattle, and to increase the number of finished cattle marketed in Manitoba. Hog and sugar beet producers will continue to participate in national tripartite programs, helping to stabilize their incomes.

A new Rural Development Institute will be established at Brandon University. The Institute will undertake studies on the longer-term prospects, challenges, and opportunities facing rural communities. Studies will involve both agricultural and broader issues affecting rural life.

In total, resources committed to supporting the farm community through the Agriculture Department, increase to $90 million, a 28.2% increase over the last two years, and 129% more than budgeted by the Conservative government in 1981/82. In addition, this year, $48 million in loan activity is planned through programs operated by the Manitoba Agricultural Credit Corporation.

Education

This Budget provides a record $783 million for education, an increase of 4.8%. Our commitment to improving the skills and knowledge of all Manitobans, and especially our young people, is reflected through our continuing record of support to education. School divisions will also benefit from the accelerated schedule for receipt of payments from municipal governments.

As announced last week by the Minister of Education, provincial funding to Manitoba's four universities will increase by $8 million, or 4.5%, to $184 million. In addition to the 3.3% increase in unrestricted operating funds, this Budget will support a new University Access Fund aimed at increasing participation of groups who have experienced barriers to entry and success in universities. The Fund is expected to assist natives, immigrants, the disabled and...in special cases...adult learners and women. Total university financing also provides $7 million in capital funding, including $3 million for the second instalment of the $20 million Universities Development Fund announced last year. A $2 million instalment on a five-year

$7 million package of capital project funding will be made to Brandon University.

Child and Family Services

Child and Family Services will receive $121 million, up $20 million, or 19.4% over 1987/88.

The Child and Family Services budget provides for increased support for children in foster care, and for services provided by external agencies' expansion of the Child Abuse Program, and for more resources for day-care.

Day-care funding will be increased by $7 million, or 24.6%. This increased funding is necessary to provide for the full-year costs of new day-care spaces opened in 1987/88, as well as current-year funding for additional spaces and program improvements in 1988/89. The program reflects our continued commitment to assist families with young children, particularly those with special needs. Training programs for workers will be expanded. Our public, not-for-profit, day-care system will remain the leader in Canada in terms of accessibility, affordability and quality of care.

Employment Services and Economic Security

Budgeted resources for Employment Services and Economic Security will increase by $14 million, or 6%, to $250 million. A key element of the Department of Employment Services and Economic Security's efforts will be directed toward increasing employment opportunities for social allowance recipients.

Economic security programs will receive a $13 million, or 5.9%, increase in 1988/89, bringing the total to $231 million. Manitoba's Social Allowances Program is adjusted regularly to reflect increases in living costs. The Province cost-shares municipal assistance and welfare services expenditures. Dental,

drug and optical needs of welfare recipients are also provided. Ongoing programs include 55 PLUS income supplements for pensioners, and the Child Related Income Support Program.

The employment development and training initiatives of Manitoba Employment Services and Economic Security, serve Manitobans with programs specifically tailored to serve the needs of young people, the unemployed, women, natives, the disabled, employment disadvantaged, and persons on social assistance.

Jobs for Youth

While Manitoba's unemployment rate has declined and ranks among the lowest in Canada, our Government remains committed to full employment. We are determined to improve employment opportunities for our young people. We will, therefore, maintain our commitment to programs such as CareerStart and Job Training for Tomorrow, which provide wage assistance to employers to facilitate training and employment. We will also put in place additional financial measures to improve youth job opportunities, particularly in areas where opportunities are most limited. In this way, we will continue our commitment to help Manitoba's young people become active participants in our growing economy.

Increasing Manitoba Jobs and Investment

Local businesses attach a high premium to investing and generating jobs right here at home.

Strengthening opportunities for the establishment and growth of small and medium-sized businesses, and the thousands of jobs they can create, has been a consistent priority of our Government since New Democrats were returned to office in 1981.

Measures taken to provide a more competitive tax environment for small businesses include, reducing the small business corporation income tax rate to 10%, increasing the small business corporation capital tax exemption to $1 million, and creating exemptions under the Levy for Health and Post-Secondary Education.

Direct initiatives include the Development Agreement Program, the Technology Commercialization Program, the Manufacturing Adaptation Program, the Venture Capital Program, the Small Business Growth Fund, and other advisory and support services provided through the Departments of Business Development and Tourism, and Industry, Trade and Technology.

Consultations with business organizations, labour and individual Manitobans, indicate more can be done. Today, I am

pleased to announce two new initiatives to help create jobs and expand investment and control by Manitobans in local enterprises.

Following two years of consultations and review, a Labour Sponsored Investment Fund will be established in Manitoba.

The objectives of the Fund are:

- to broaden investment opportunities for Manitoba workers;
- to create and preserve quality jobs; and
- to improve participation of workers in business decisions.

The Fund will facilitate equity financing for investment by active small and medium-sized Manitoba businesses. By providing this needed equity, these Manitoba companies will have better potential to grow and create jobs.

The Minister of Business Development and Tourism will soon be introducing legislation authorizing the Labour Sponsored Investment Fund.

The possibility of introducing a stock savings plan, as a means for securing additional capital for Manitoba businesses, has been the subject of discussions with the financial and investment community. However, the costs of issuing special shares to qualify for traditional stock savings incentives is prohibitive for all but the largest corporations. Thus, some modifications to a stock savings plan approach are necessary, for the program to help small and medium-sized Manitoba businesses expand and create jobs.

We are, therefore, proposing the creation of Manitoba Equity Funds...similar to the Labour Sponsored Investment Fund model. The Funds would be independent, professionally managed and responsible to individual investors. Within broad guidelines, they will provide equity financing to active medium and small Manitoba businesses.

Further consultations are required prior to finalizing details of the initiative and introduction of the required legislation.

The innovative Manitoba Equity Fund and the Labour Sponsored Investment Fund proposed in this Budget are intended to help Manitoba businesses and workers co-operate on investment opportunities for greater job creation and income growth throughout the province.

Capital Expenditure

Capital expenditure will continue to build and maintain the infrastructure necessary for economic development, job creation and the effective provision of services. As in the past, three Departments are responsible for the largest capital expenditures. Highways and Transportation ($98 million), Health ($42 million) and Education ($29 million) will account for 63% of the total budgeted capital expenditure of $268 million.

Provincial Assistance to Municipal Governments

Assistance to local governments over the past six years has been maintained and supplemented with special initiatives even during years when other provinces have frozen municipal support. Total funding in the Departments of Municipal Affairs and Urban Affairs has increased by 66%, from $70 million in 1981/82, to $116 million in 1988/89. In addition, Provincial-Municipal Tax Sharing Payments were increased by 8.2% in 1985, 7.0% in 1986 and a further 12.7% in 1987. Payments in 1987 were $40 million, up nearly $10 million to a level more than 30% above that of 1984, and $15 million, or 59% above the 1981 level.

Provinces have faced an even more difficult task in finding needed resources for health and other priority services in the light of constrained federal funding. Legislation will, therefore, be introduced to limit the growth of Provincial-Municipal Tax Sharing Payments to a 3% increase over amounts paid in 1987. Limits will apply until such time as federal funding for health and higher education is restored to an equal 50% share. The savings realized from this decision will be dedicated to ensuring that our health system continues to provide quality service to all Manitobans, without requiring regressive premiums or unfair user fees.

Special Municipal Tax Sharing Payment

In January, the Government announced that municipalities would be required to turn over school taxes collected for school divisions to divisions, more closely in line with the pattern of collection as recommended by the Provincial Auditor. School divisions benefit from lower interest costs. Since the announcement, the Government has received several requests from municipalities that some transitional help be provided. In response to these requests, I am pleased to announce a Special Provincial-Municipal Tax Sharing Payment of $5.5 million will be made to municipalities next month. This special Payment will ease them through the transitional year. Details of this Payment will be announced early in March.

FEDERAL TRANSFERS

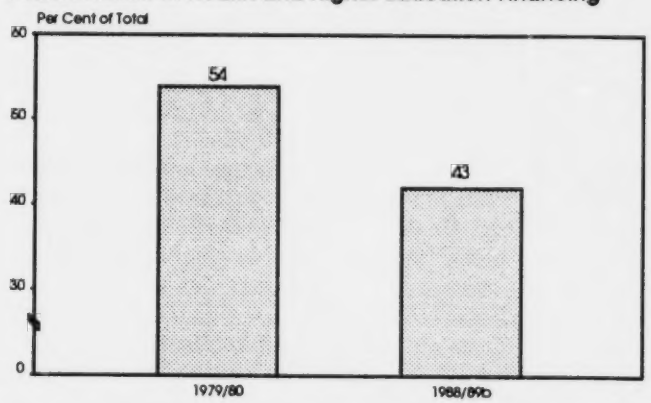
Manitobans recognize that equality of opportunity for all Canadians, rich and poor, in all regions, requires a committed central government.

The initial federal commitment to pay 50% of hospital and medical costs was crucial to the introduction of universal public health care. The federal commitment to equalization helped poorer provinces finance public services with reasonably comparable tax levels.

Recent federal actions are threatening this progress.

Federal funding for health and higher education was cut back twice by the previous Liberal federal government, and further limited to a declining share of Canada's Gross National Product by the Conservatives. In Manitoba, federal funding has dropped to 43% of the costs of health and higher education. The federal contribution now falls over $123 million annually short of an equal 50% share in our province.

Federal Share of Health and Higher Education Financing



Source: Manitoba Department of Finance b - Budget

The $123 million annual shortfall is equivalent to:

- more than the annual cost of operating all hospitals in rural Manitoba;
- more than the annual cost of operating Seven Oaks, Misericordia and Victoria Hospitals;
- more than the annual cost of operating St. Boniface Hospital.

Equalization has been reduced from 1.3% of the nation's income in 1982/83, to 1.1% today. For poorer provinces, that means $1 billion a year less to finance health, education and

other services, than if the 1982 share were maintained. The capacity of all equalization provinces to provide health care and other public services is impaired by federal constraints on direct cost-sharing and on equalization. This is bad news for Manitobans, but even worse for residents of poorer provinces.

Federal cash transfers are showing growth this year on a Budget-to-Budget basis. However, that growth follows less than one per cent growth in two of the last three years. If the 1988/89 estimate is realized, the average increase in federal transfers will be less than 4.1% since 1984/85, and inadequate to meet the health and other priority needs of Manitobans.

The federal decisions are matters of priority and choice. There is money in the federal budget for nuclear submarines, frigates and fighter aircraft. There is money for reduced tax rates for big business. There is money for reduced tax rates for the rich. We believe some of that money should be redirected towards funding priority services. In overall terms, federal transfers have declined from 42% of Manitoba's revenue in 1980/81, to under 31% budgeted in 1988/89. That 11-percentage point drop is equivalent to $465 million in 1988/89 alone.

Canadians know that adequate health care for young and old requires a solid commitment from both the federal and provincial governments. It cannot be protected with a declining share of our national income, as is the case with current federal funding. Certainly, public costs can be reduced to a smaller share of our national income if less is provided...poorer services for the elderly, less access for the poor. That's what Conservative budgets would mean in Manitoba, just as they have in Saskatchewan, Alberta and British Columbia. And, over time, more costs would be shifted to individuals, and services would be limited to those who could afford to pay. New Democrats reject that approach.

A major overhaul of federal-provincial financing arrangements is required. Specifically, the federal government should:

- fulfil their election commitment to equal 50/50 sharing in the costs of health; and
- return equalization to the all-province national average standard.

I would hope all Members of the Legislature would support these efforts to restore a fair and secure funding base for these services, for all people in all regions of Canada.

FEDERAL TAX REFORM

Federal control of the personal and corporation income tax bases has also had a pronounced effect on provincial revenues over the years. Provision of tax preferences and benefits for big business and the wealthy were a common thread in federal budgets since the early 1970s.

Our Government welcomed tax reform measures proposing to broaden the tax base and close loopholes. The change from exemptions to credits will also contribute to progressivity and fairness. Unfortunately, as the House of Commons Committee Report on Tax Reform noted, the large rate cuts for the wealthy cancelled any improvement in progressivity resulting from the positive elements of the proposals.

Manitoba Adjustments

In the light of federal changes, I am proposing a number of changes to Manitoba's system of income taxes and tax credits, to protect benefits for low- and moderate-income Manitobans.

The maximum Cost of Living Tax Credit will be changed to dollar amounts, roughly equivalent to the 4% of personal exemptions which was the basis for calculating 1987 benefits. Cost of Living Tax Credit payments for 1988 are expected to total $61 million.

The Manitoba Tax Reduction will be changed to dollar amounts reduced by 2% of net income, as announced last November. Manitobans are expected to receive income tax reductions of $92 million from this measure in 1988.

The threshold for Manitoba's surtax on higher incomes will be adjusted to ensure that the Surtax applies only to those with net incomes in excess of $30,000. For families and seniors the Surtax threshold will be higher. Only the top 15% of Manitoba taxfilers will pay the Surtax.

These changes are necessary to harmonize Manitoba's income tax system with the new federal structure. The adjustments will mean a small net saving to Manitoba taxfilers... over and above the reduction in Manitoba's personal income taxes which results directly from the federal changes.

TAXATION

Our Government remains committed to preserving vital services to benefit all Manitobans, especially health, education and income support. We remain determined to continue our efforts to foster balanced development of the provincial economy, and equal opportunities for all Manitobans.

I am pleased to report we have managed to meet these commitments without any general tax increases this year.

There will be no increase in sales taxes.

There will be no increase in personal income taxes.

There will be no increase in small business taxes.

Mining Taxes

The Budget proposes a significant reform in mining taxation in Manitoba.

In the early 1980s, Manitoba's mining industry underwent a difficult period of poor market conditions. During this time, the Government played a key role in sustaining the industry. For example, since 1982, Manitoba spent over $15 million on geological and other services for the industry. Over $3 million was spent from the Mining Community Reserve Fund to assist single-industry mining communities. INCO received more than $4 million in new Investment Tax Credits for its mining and processing facilities. Manitoba Mineral Resources spent over $13 million on mineral exploration. In 1984, a loan of $10 million was made to Sheritt Gordon Mines Ltd. to maintain production at the Ruttan Mine. The conversion of this loan to a share in profits in the Ruttan Mine in 1987, helped secure the future of the mine and the town of Leaf Rapids. In 1986, a forgivable loan of $2 million was made to Sherrgold to help develop the MacLellan Mine and maintain the town of Lynn Lake.

Mineral prices have recovered over the last year, and many companies are now enjoying record profits. Following discussions with the industry over the past several months, we believe it is now appropriate to take action to secure a fairer return to the people of Manitoba for our non-renewable resources.

Highlights of the changes include:

- The general mining tax rate will be increased to 20%, the same as in Ontario.
- Processing allowances will be adjusted more in line with assets used in processing.
- The Investment Tax Credit will be rescinded.
- A special 7% refundable mining tax will be introduced to ensure mining companies pay a fair minimum tax to Manitoba.
- A new Mining Development Fund will be created.

These changes will provide a stable, competitive and fair mining tax regime in Manitoba, for the industry and for all Manitobans.

The Mining Development Fund is a new and innovative approach.

Existing funds in the Mining Community Reserve will be transferred to the new Fund. Five per cent of all mining taxes received by the Province will be allocated directly to the Mining Development Fund. This Fund will ensure some of the wealth generated by the province's mineral resources is re-invested, along with private sector investment, in the mining industry and mining communities, thereby helping stabilize the economy of Northern Manitoba. The Minister of Energy and Mines will be providing details of the Mining Development Fund during this Session.

The establishment of the new Mining Development Fund in 1988 signifies the Government's continued commitment to a healthy mining industry, jobs, and a secure economic base for Northern Manitoba.

Health and Environment Measures

Health and environmental concerns are reflected in two special revenue measures.

- The tobacco tax will be increased 9/10ths of a cent per cigarette, effective March 28th. We expect cigarette consumption to decline 15% in 1988/89, with ongoing benefits to the health of Manitobans, partly as a result of this measure.

- One of the most significant sources of lead in the environment is exhaust emissions of vehicles using leaded gasoline. Exposure to lead has been linked by medical studies to lead poisoning, causing neurological disorders and problems in the mental development of children. Children are particularly at risk because they are exposed to more lead on a dose per body weight basis, than adults.

  The special surcharge on leaded fuels only will be increased by 0.9¢ per litre, effective July 1. This is intended to eliminate the oil industry's current price structure which promotes the use of higher-pollutant leaded fuel. With the surcharge, unleaded fuel should be available at or below the price of leaded fuel in Manitoba. We anticipate a 30% decline in leaded fuel sales, and a positive effect on the environment, following implementation of this measure. All marked fuel for farm use will, of course, remain tax-free.

Other Changes

Two selective fuel tax changes will be effective April 1. The locomotive fuel tax rate will be increased 1.4 ¢ per litre to 15.0¢, the same as in Saskatchewan. The aviation fuel tax rate will be increased 2.0¢ per litre to 6.8¢ . The new rate will remain slightly below the 7.0¢ rate in Saskatchewan.

THE FISCAL PLAN

The Government's fiscal strategy is working. The fiscal plan shows sharp improvement in the net operating deficit. As indicated earlier, this Budget proposes total spending of $4.557 billion. Revenue is estimated at $4.223 billion, up 11.9% from 1987/88. As a result, the net budgetary requirement will be $334 million. This is $81 million, or 19.5% lower than in 1987/88...which was itself a six-year low.

NET BUDGETARY REQUIREMENT

1987/88 Budget	1987/88 2nd Quarter Statement		1988/89 Budget	Difference from 1987/88 Budget	Difference from 1987/88 2nd Quarter Statement
($ millions)			($ millions)	(%)	
4,188	4,208	Budgetary Expenditure	4,557	8.8	8.3
3,773	3,813	Budgetary Revenue	4,223	11.9	10.8
415	395	Net Budgetary Requirement	334	<19.5>	<15.4>

The net budgetary requirement is also significantly lower in relative terms than in 1981/82, the last year of the former Conservative administration...a time just prior to deep recession.

- It is 29% lower as a share of government spending, which was 10.3% in 1981/82 compared with 7.3% in this Budget.
- It is 31% lower as a share of revenue, which was 11.5% in 1981/82 compared with 7.9% in this Budget.
- And it is 16% lower as a share of Gross Domestic Product, which was 1.9% in 1981/82 compared with 1.6% in this Budget.

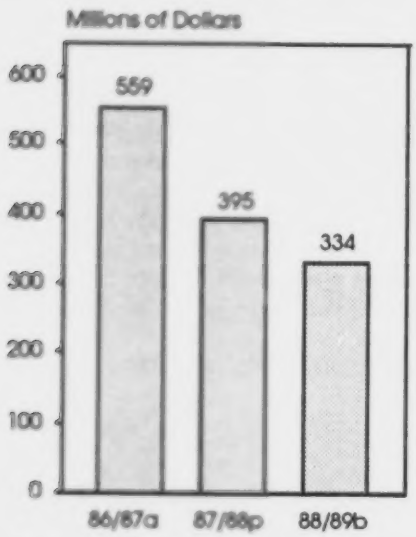
Some $268 million in capital spending, which creates assets and benefits of lasting value, is included in the Budget.

The operating position reflects the progress the Government has made in paying for its day-to-day requirements from its current revenue. This Budget further reduces the operating deficit from $158 million last year to $66 million this year, a reduction of $92 million, or 58.2%.

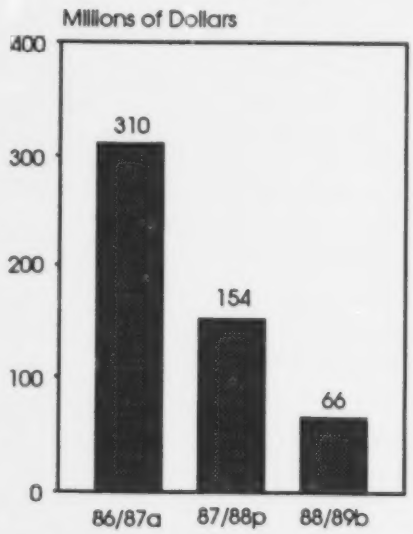
NET OPERATING POSITION

1987/88 Budget	1987/88 2nd Quarter Statement		1988/89 Budget	Difference from 1987/88 Budget	Difference from 1987/88 2nd Quarter Statement
($ millions)			($ millions)	(%)	
415	395	Net Budgetary Requirement	334	<19.5>	<15.4>
257	241	Less Capital Expenditure	268	4.3	11.2
158	154	Net Operating Requirement	66	<58.2>	<57.1>

Net Budgetary Requirement



Net Operating Requirement



a - Actual p - Projected b - Budget

Source: Manitoba Department of Finance

Our 1988/89 operating deficit has been reduced by 78.7% over the last two years.

I am pleased that substantial progress has been accomplished:

- while protecting the health, education, and social services enjoyed by Manitobans;
- while maintaining efforts to foster balanced economic development; and
- without general tax increases this year.

TOTAL BORROWING REQUIREMENTS

For 1988/89, the total borrowing requirement amounts to $1.33 billion, lower by $230 million, or 17% from last year. This includes the Government's net budgetary cash requirement, non-budgetary capital requirements of Crown Corporations and Government Agencies, and refinancing of debt issues maturing during the year.

The major component in this year's non-budgetary borrowing requirement is Manitoba Hydro at $400 million, $220 million for its capital program and $179 million for refinancing. About $134 million will be raised from the Canada Pension Plan and other off-market sources, with the remaining $1.2 billion to be raised through public markets.

Increases in the Canadian market capacity for Manitoba Bonds should allow at least 65% of public market requirements to be met in Canadian dollars. It is our intention to negotiate swap agreements for other than Canadian or U.S. dollar issues in our 1988/89 borrowing program. Officials of my Department are continuing to pursue favourable opportunities for switching the Province's off-shore currency liabilities into North American currency liabilities.

Last year, I announced a new opportunity for Manitobans to invest directly in our Province and its future, through Manitoba Investment Savings Certificates. Manitobans responded positively to the first issue last year.

Today, I am pleased to announce that Manitoba Investment Savings Certificates will again be offered to Manitobans through caisses populaires, credit unions, chartered banks, investment dealers and trust companies. This year's issue will continue to carry an interest rate 1/4% above the rate paid on Canada Savings Bonds and will be dated June 1st. Selling will commence in May.

CONCLUSION

In this Budget we have proved that our Government responds to the social and economic priorities of Manitobans. We have proved our willingness to make difficult choices in order to meet our commitments... economic development, job creation and the preservation of services vital to people.

This Budget shows that our fiscal management has been sound...taxes will remain stable, while the deficit is being cut.

This Budget shows innovation in services, and recognizes that there are many needs still to be met...many tasks still ahead.

Most importantly though, Madam Speaker, this Budget shows that, by working together, the people and the Government of Manitoba can build a future based on justice and progress for all. We pledge ourselves to that goal.

Thank you.

ECONOMIC REVIEW

The 1988 Manitoba Budget

ECONOMIC REVIEW

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Introduction

- Manitoba has entered its sixth consecutive year of economic expansion. In the 1980s, economic performance has improved markedly relative to most other provinces in Canada.

- Over the last five years, real Gross Domestic Product in Manitoba increased at the third highest rate among provinces — by 4.9% annually compared with 4.4% in Canada as a whole.

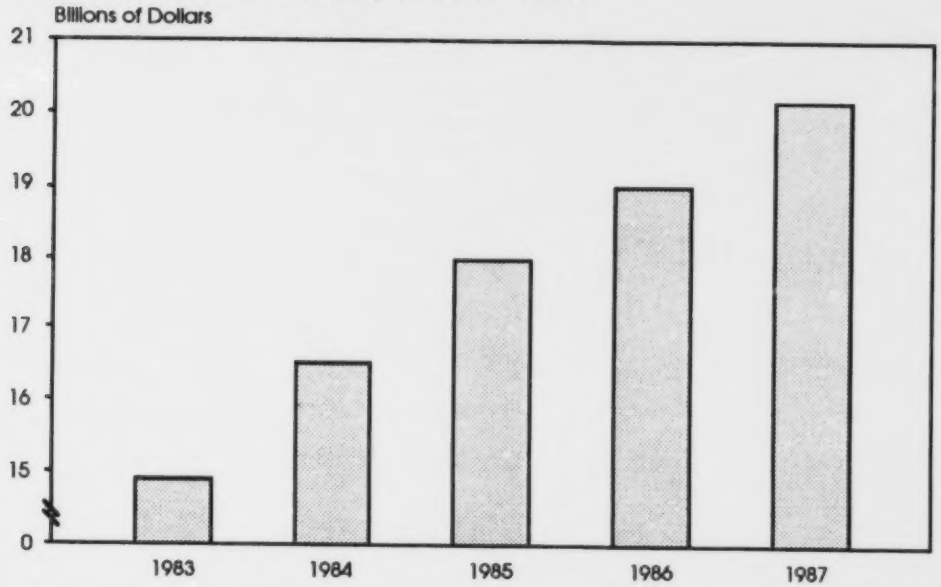
- Most sectors have shared in the expansion. The results are reflected in job creation, income gains, investment and new business formation.

- The global economy is characterized by uncertainty regarding the evolution of trading and financial relations. Canada's performance is relatively strong, but unevenly distributed among regions.

- Low international grain prices have dampened employment and income growth, and, despite income stabilization programs, farming jobs have been lost and markets for local businesses affected. Grain prices remain a continuing concern.

- Manitoba's strengthened economy — investments for the future, high quality, accessible public services, rising living standards and fair taxation — has set the stage for further solid gains in the years ahead.

Gross Domestic Product, 1983 to 1987



Source: Manitoba Bureau of Statistics and Manitoba Department of Finance

International and National Context

- Global economic growth has slowed. Consumption based expansion in the United States in the 1980s, stimulated in part by fiscal policy, was accompanied by inadequate investment and a rapidly growing trade deficit. In contrast, Japan and Europe recorded substantial trade surpluses. The path of adjustment required to reduce these imbalances, both in the U.S. economy and between nations, is uncertain.

- Central banks reduced interest rates in response to the October 1987 stock market crash. However, not all of the interest rate relief has been felt in Canada. A reduction of at least one to two percentage points would bring Canadian interest rates more in line with those in the U.S., encourage growth and reduce regional unemployment disparities.

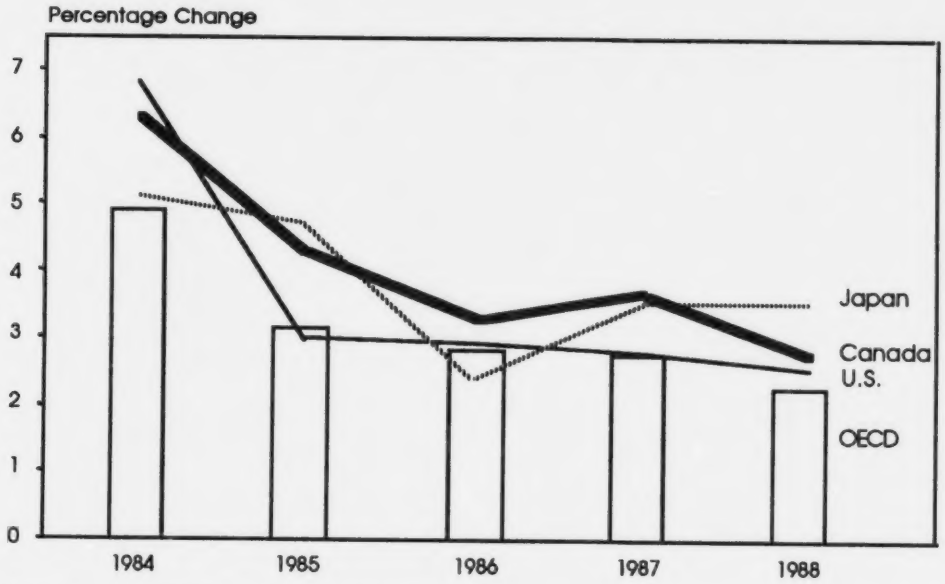
- While Canadian output and employment growth has been relatively strong by international standards, the benefits have been unevenly distributed across regions. Stronger growth in industrialized central Canada stands in marked contrast with less robust performance in the more resource dependent regions of the country. Inflation has been stable in the 4% to 4.5% range over the last four years.

- Investment recovery was weak through much of the economic expansion in Canada, but improved in 1987. A surplus in international trade and a smaller deficit in Canada's overall current transactions with other countries, compared with the U.S., are positive factors for continued expansion in Canada.

- The February 1988 federal Budget predicted growth of 2.8% in real Gross Domestic Product, a slight decline in consumer price inflation, to 4.0%, and an unemployment rate of 8.3% in Canada in 1988. However, the Budget papers also pointed out that, on average, forecasters expect slightly lower real growth and higher inflation and unemployment. According to independent assessments, real GDP is expected to increase by about 2.5% and the unemployment rate to average 8.5% in Canada in 1988.

International Economic Growth, 1984 to 1988

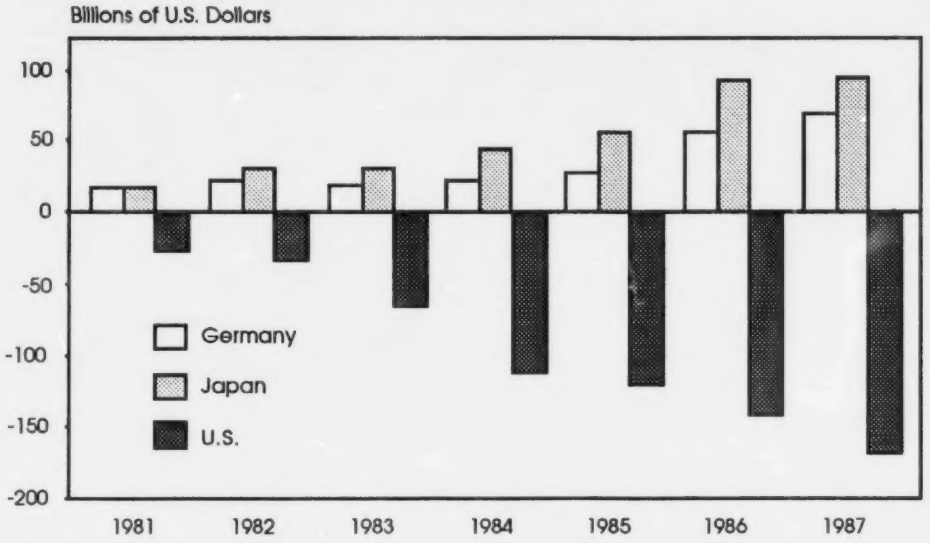
Real GDP/GNP



Source: OECD Economic Outlook, December 1987

- Economic growth in the OECD region has slowed from close to 5% in 1984, to 2.8% in 1987, and a projected 2.3% in 1988. Japan is the only major OECD country expected to achieve stronger growth in the year ahead.
- In Canada, real GDP growth has remained relatively strong by international standards.
- For 1988, real GDP growth in Canada is forecast in the 2.5% range.

Trade Balances of Major OECD Countries



Source: OECD Economic Outlook, December 1987 and WSJ

- Substantial trade and fiscal imbalances have emerged in the 1980s, in part because governments have pursued divergent monetary and fiscal policies. Massive international capital movements are required to finance these imbalances.

- In 1987, the U.S. trade deficit reached $171 billion and surpluses in Japan and Germany were about $96 billion and $70 billion, respectively — each about 3.5% to 4% of GDP.

- U.S. exports have increased substantially and the trade deficit is beginning to decline. However, the U.S. has accumulated a large international debt which is expected to continue increasing into the 1990s.

Canadian Exchange and Interest Rates

	1980	1982	1985	1987	1988
		(Annual Averages)			(Feb. 19)
Exchange Rates: (Canadian $ per unit)					
U.S.	1.1690	1.2341	1.3652	1.3260	1.2702
Japan	0.0052	0.0050	0.0058	0.0092	0.0098
Germany	0.6444	0.5086	0.4677	0.7384	0.7440
Interest Rates: (per cent)					
90-Day Commercial Paper	13.2	14.2	9.6	8.4	8.6
5-Year Mortgages	14.5	18.0	12.1	11.2	11.5
Consumer Prices:					(Jan.)
(per cent change)	10.2	10.8	4.0	4.4	4.1

Source: Statistics Canada and Bank of Canada Review

- Exchange rates have undergone major realignments in recent years. The value of the U.S. dollar rose substantially against major currencies in the first half of the 1980s and has declined since 1985.
- From 1985 to 1987, the Canadian dollar rose against the U.S. dollar, but declined against other major currencies. From the end of 1987 to February 19, 1988, the dollar rose a further 3% against the U.S. dollar, and rose 7% against the Japanese yen and 9% against the Deutschmark.
- Central banks reduced interest rates following the October 1987 stock market crash. However, Canadian rates remain higher than a year ago. The 90-day commercial paper rate was 8.6% and the 5-year mortgage rate was 11.5% on February 19, 1988, well above their March 1987 levels of 7.0% and 10.0%, respectively.
- A reduction of at least one to two percentage points would bring Canadian interest rates more in line with those in the U.S., encourage growth and reduce regional unemployment disparities.

Manitoba Situation

- In the past six years, Manitoba's economic performance has been better than Canada's over a broad range of economic indicators. Real Gross Domestic Product (GDP), non-residential investment, housing starts and personal income all increased more rapidly in Manitoba than in Canada since 1981, while consumer price increases have been more moderate.

- Labour market conditions have improved, as the number of unemployed and the unemployment rate declined in every year since 1983. Private sector employment growth since 1981 has matched the national average.

- Average real wages increased 0.9% annually in Manitoba in contrast to an annual decline of 0.2% in Canada as a whole, from 1981 to 1987. Disposable income per person is now closer to the national average.

- Manitobans benefit from lower costs, compared with other parts of Canada, for many basic necessities, including food, shelter and electricity.

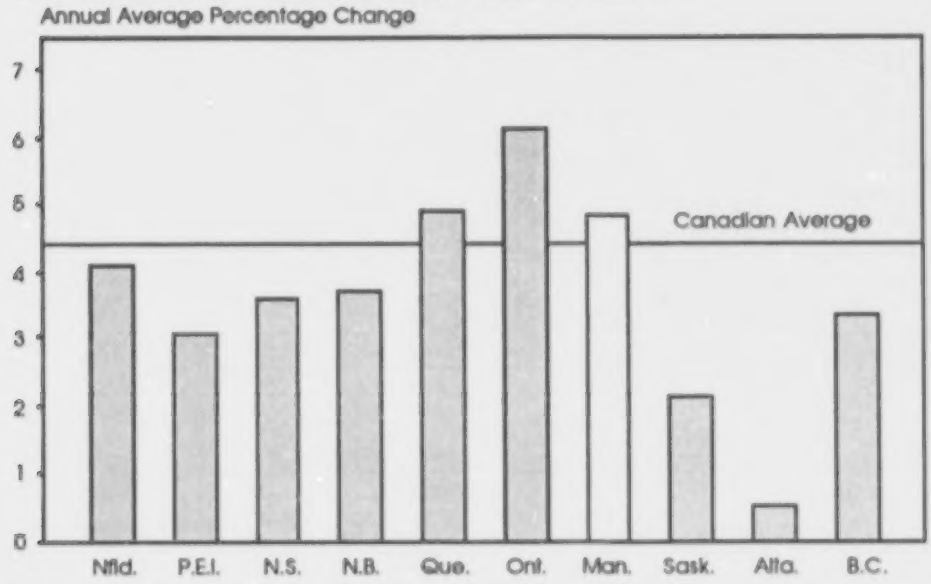
- Manitoba enjoys good labour-management relations. Office and industrial land costs and labour costs are very competitive with other areas of Canada.

- Gross Domestic Product is estimated at $20.2 billion in 1987, an increase of $1.2 billion, or 6.3% from 1986. After accounting for inflation, growth in real GDP was approximately 2.8% in 1987, according to independent assessments.

- In 1987, real GDP growth in Manitoba exceeded the other Prairie provinces. Unemployment declined further, and non-agricultural employment increased 2.2%. Total wages and salaries rose by 6.6%.

- Mining and construction were the growth leaders in the goods-producing sector of the economy in 1987. Lower international grain prices continued to constrain market incomes and agricultural employment. Almost all of the new jobs were created in the service sector. The strongest areas of growth in service sector output were transportation and communications; trade; and finance, insurance and real estate.

Real Gross Domestic Product, 1983 to 1987



Source: Conference Board of Canada

- Over the last 5 years, real Gross Domestic Product (GDP) in Manitoba increased at the third highest rate among provinces — by 4.9% per annum compared with 4.4% in Canada as a whole.

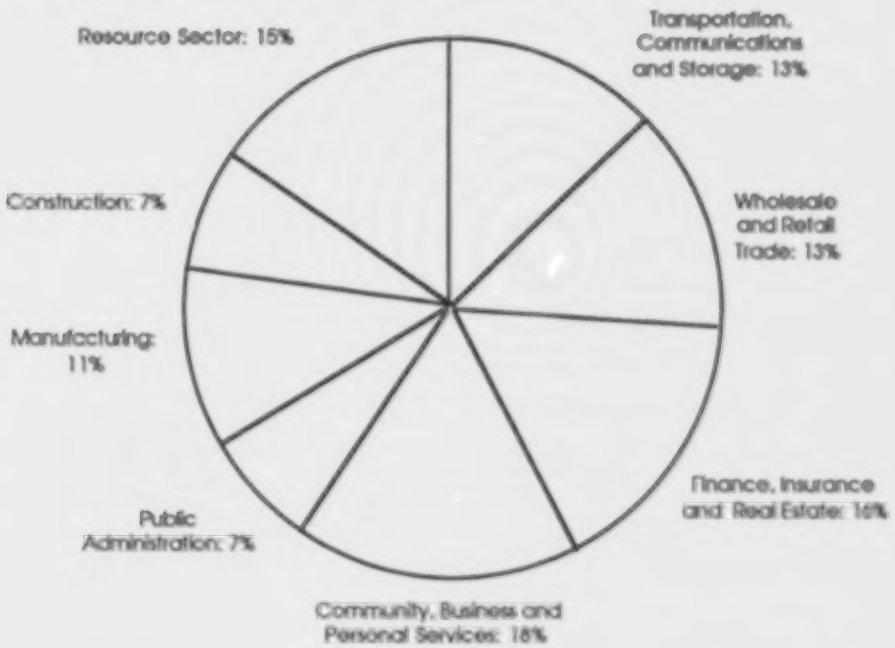
- Canadian growth has been unevenly distributed among regions reflecting, in part, the distribution of industries and the impact of international commodity price movements.

- Over the 1983 to 1987 period, real output growth in Manitoba's goods-producing sector averaged 6.2% annually, well above the national average of 4.2%. Increases in real output in the agriculture, mining and construction sectors surpassed those recorded at the national level by a wide margin.

- Service sector growth in Manitoba averaged 4.2% annually from 1983 to 1987, slightly above growth for Canada as a whole. Strength was broadly based across the major commercial service sectors.

Gross Domestic Product by Industry, 1987

Per Cent of Total

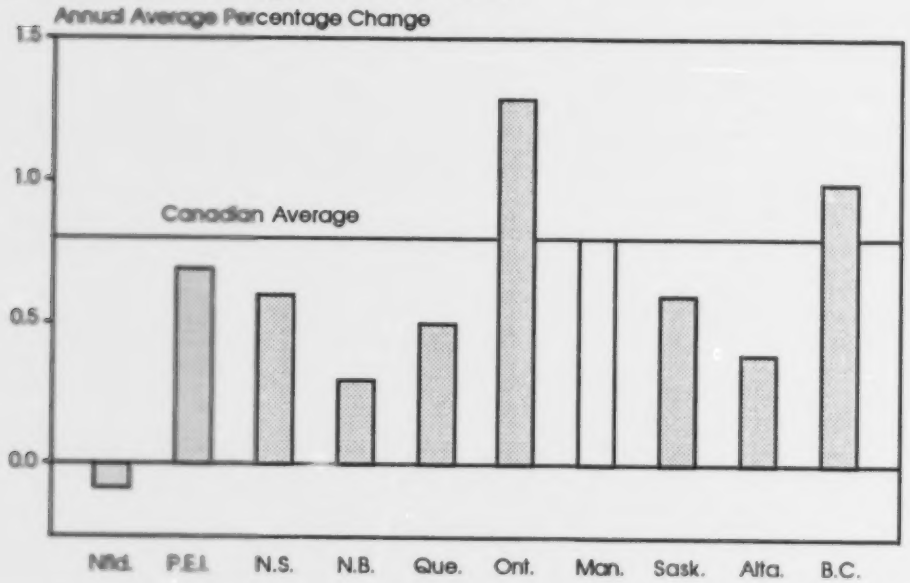

Resource Sector: 15%
Transportation, Communications and Storage: 13%
Construction: 7%
Wholesale and Retail Trade: 13%
Manufacturing: 11%
Finance, Insurance and Real Estate: 16%
Public Administration: 7%
Community, Business and Personal Services: 18%

Note: Based on GDP at factor cost in 1981 prices.

Source: Conference Board of Canada

- Manitoba's resource sector (primarily agriculture, hydro-electric power generation, mining and forestry) accounts for approximately 15% of Gross Domestic Product (GDP), slightly more than the 13% share in the overall Canadian economy, but less than half of the resource share in the other Prairie provinces.
- Manufacturing, at over 11% of GDP, is more than twice the relative size of the manufacturing sector in Saskatchewan, and two-thirds larger than in Alberta.
- Commercial services (transportation and communications; trade; finance, insurance and real estate; and business and personal services) account for about half of total GDP and employment in Manitoba.
- The Manitoba economy is well diversified, both among and within major sectors. A focus on deepening development, through stronger linkages between related industries, improved entrepreneurial skills, and the adoption of appropriate technologies is a key challenge for the years ahead.

Population Change, 1983 to 1987

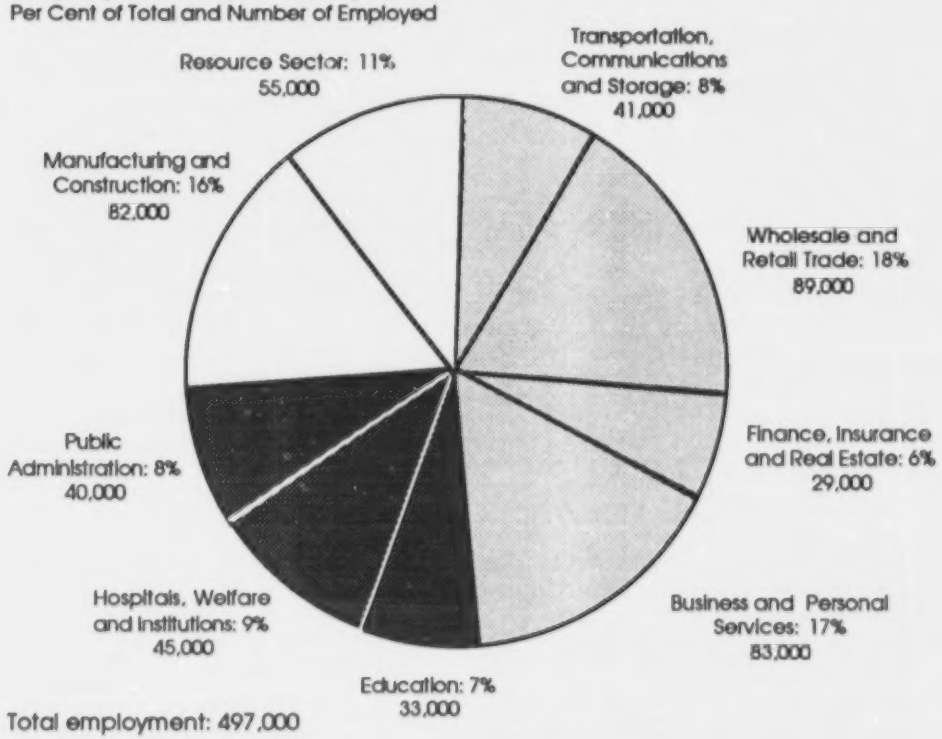


Source: Statistics Canada, June 1st estimates

- Population growth in Manitoba was third strongest among provinces from 1983 to 1987.
- Manitoba's population reached 1,079,000 in June 1987, an increase of 7,800 from 1986.
- Ontario and British Columbia, the major recipients of interprovincial migration flows in recent years, attracted population from all other provinces in the year ending June 1987.

Employment by Industry, 1987

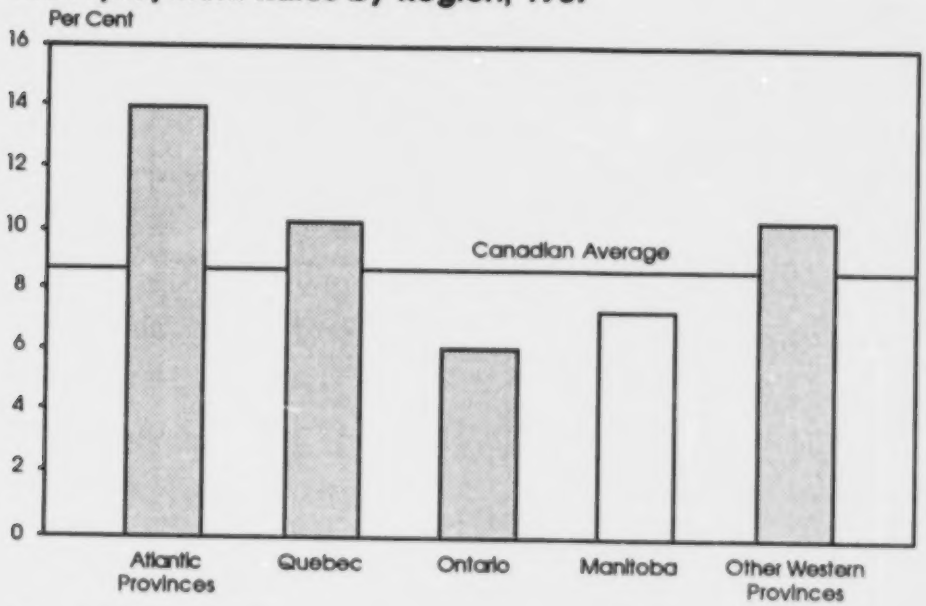
Per Cent of Total and Number of Employed



Source: Statistics Canada

- Total employment in Manitoba increased by 36,000 between 1981 and 1987.
- Since 1981, private sector employment growth in Manitoba has matched the national average, and since 1983, all of the net job creation has been in the private sector of the economy.
- In 1987, non-agricultural employment increased by 10,000, or 2.2%, to 456,000. The increase was largely in full-time jobs, and was concentrated in the commercial services (wholesale trade and business services), non-commercial services (especially hospitals) and construction sectors. Employment in agriculture declined in 1987.

Unemployment Rates by Region, 1987



Source: Statistics Canada

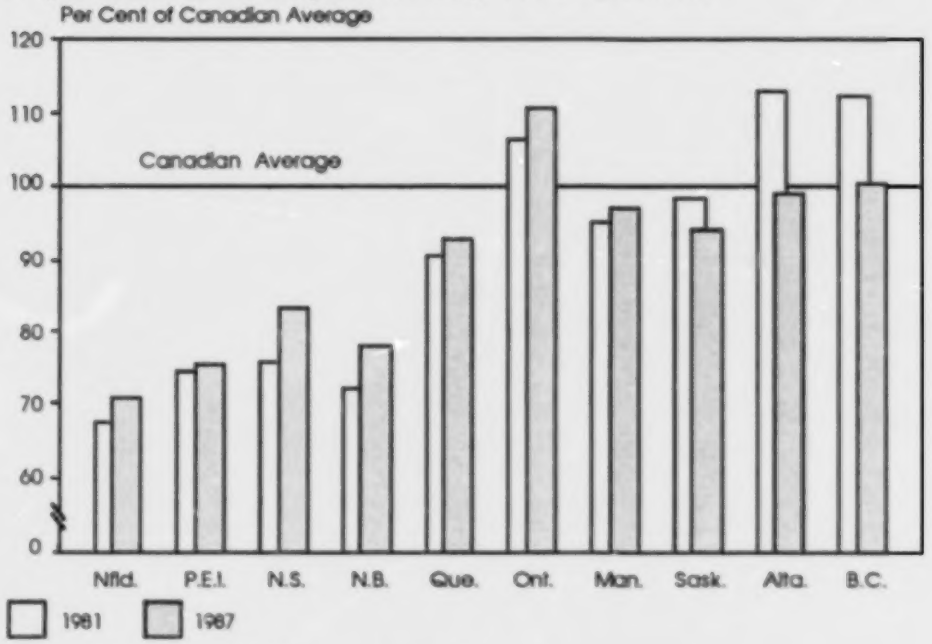
- Unemployment and the unemployment rate in Manitoba declined for the fourth consecutive year in 1987. At 7.4%, Manitoba's unemployment rate in 1987 was 2 percentage points or 21.3% below its 1983 peak, yet, along with Canada's, remained about 1.5 percentage points above pre-recession levels.

- Manitoba was one of only three provinces with an unemployment rate below the national average in 1987, and had the third lowest unemployment rate among provinces.

- On average, unemployed Manitobans now find work in less than four months of job search, almost a full month less than in 1983, while in Canada the average duration of unemployment remains close to five months.

- In 1987, Manitoba's youth unemployment rate, at 12.1%, was second lowest among provinces, behind Ontario (9.8%).

Disposable Income per Person, 1981 and 1987

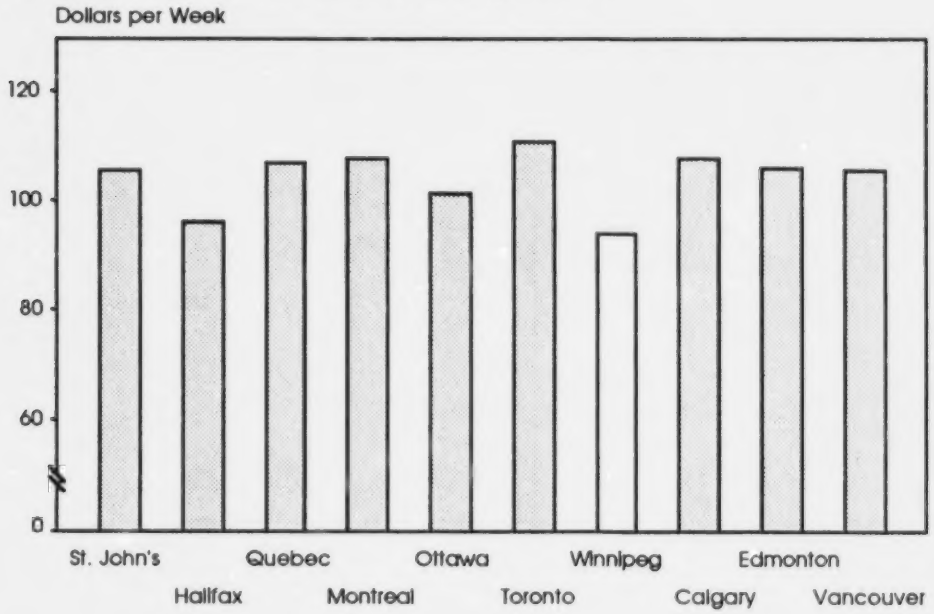


Source: Statistics Canada and Conference Board of Canada

- Disposable income per person averaged $13,840 in 1987. The increase of $4,500 per Manitoban since 1981 was second only to Ontario among provinces, and raised the total to 98% of the national average from 96% in 1981.
- Growth in disposable income per person is especially striking in contrast to the other Western provinces which recorded declines in relation to the national average over the 1981 to 1987 period.
- Total personal income in Manitoba reached $18.1 billion in 1987, an increase of 7.3% compared to the national average of 6.9%.
- Labour income advanced by about 6.6% in 1987, to $10.9 billion, buoyed by the 2.2% increase in non-agricultural employment.
- Real average wages (that is, labour income per paid, non-agricultural employee, after accounting for inflation) increased 0.9% annually in Manitoba compared with an annual decline of 0.2% in Canada as a whole, from 1981 to 1987.
- Although depressed grain prices have constrained farm incomes in the 1980s, net farm income, on a personal income basis, in 1987 increased to about $440 million, about 25% above the 1981 to 1986 average.

Food Costs

Cost of a Nutritious Food Basket in Major Cities

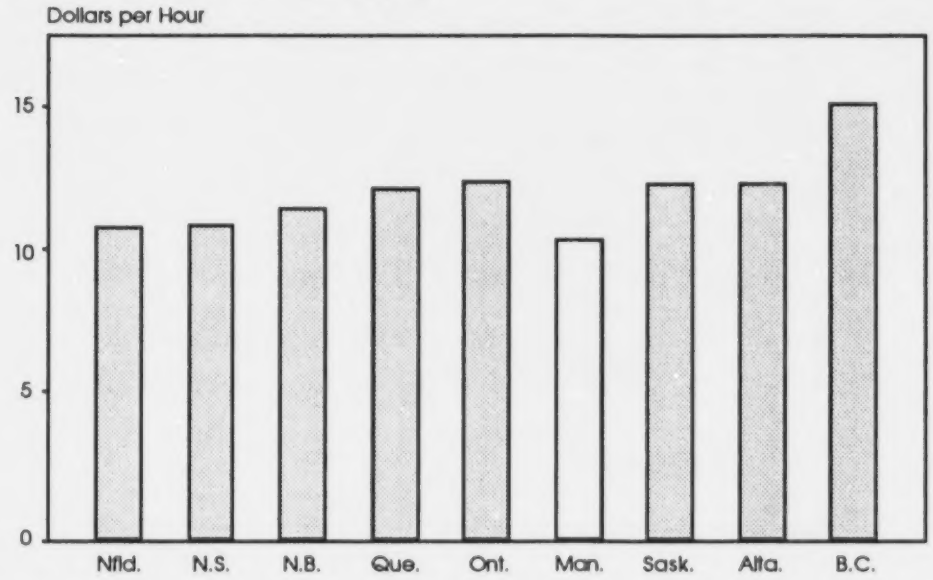


Source: Agriculture Canada, Retail Price Survey, December 1987

- The weekly cost of a nutritious food basket for a family of four living in Winnipeg was $94.99 in December 1987, the lowest among the 18 cities in the Survey, as in four of the last five years, according to Agriculture Canada.
- Compared with the national average, this represents annual savings of more than $640 on food bills.
- Over the 1983 to 1987 period, the annual average increase in the cost of the food basket was 3.4% in Winnipeg compared with 5.0% in Canada.

Labour Costs, 1987

Average Wages, Manufacturing



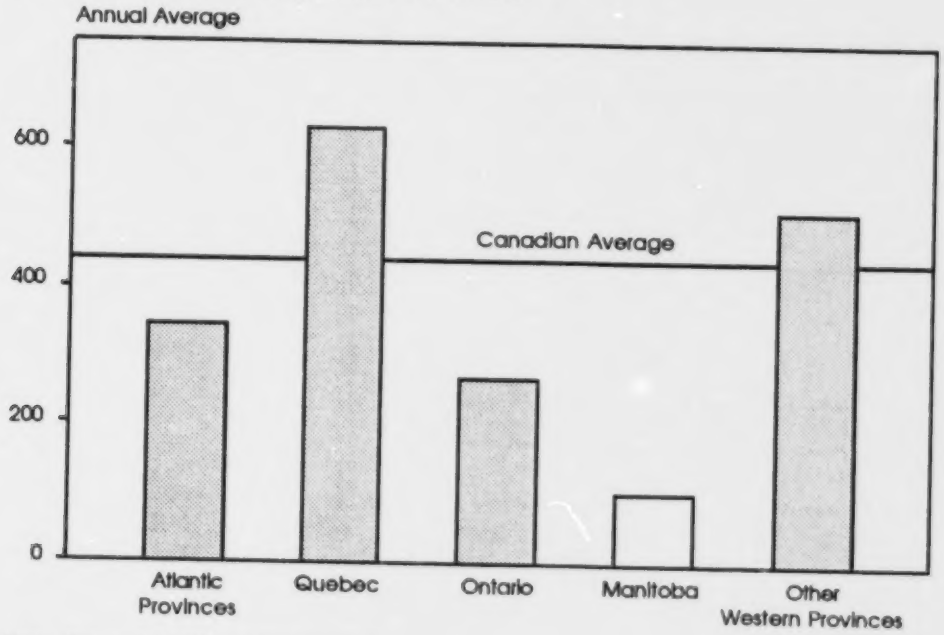
Note: 1987, 11-month average. P.E.I. is not available.

Source: Statistics Canada

- Labour costs in Manitoba are very competitive with other provinces. High-quality education and training programs develop skills to meet current and future requirements.
- In 1987, the average hourly wage in the manufacturing sector was $10.48 in Manitoba, the lowest of any province in Canada, and 14% below the national average of $12.22.
- For the industrial composite which includes most sectors of the economy, weekly earnings in Manitoba averaged $407.43 in the first 11 months of 1987, fifth lowest among provinces and 7.8% lower than the Canadian average of $441.85.
- Base rate settlements for collective agreements in the first three quarters of 1987 were lower in Manitoba than Canada, 3.3% compared with 4.0%. Wage settlements in Manitoba have been at or below the national average since 1984.
- The general adult minimum wage of $4.70 per hour in Manitoba is the highest among provinces. Manitoba's and Quebec's minimum wages for youth are $4.55 per hour, also the highest among provinces. A different schedule of minimum wages applies to construction trades in Manitoba.

Person Days Lost to Strikes or Lockouts, 1983 to 1987

Per 1,000 Paid, Non-Agricultural Workers



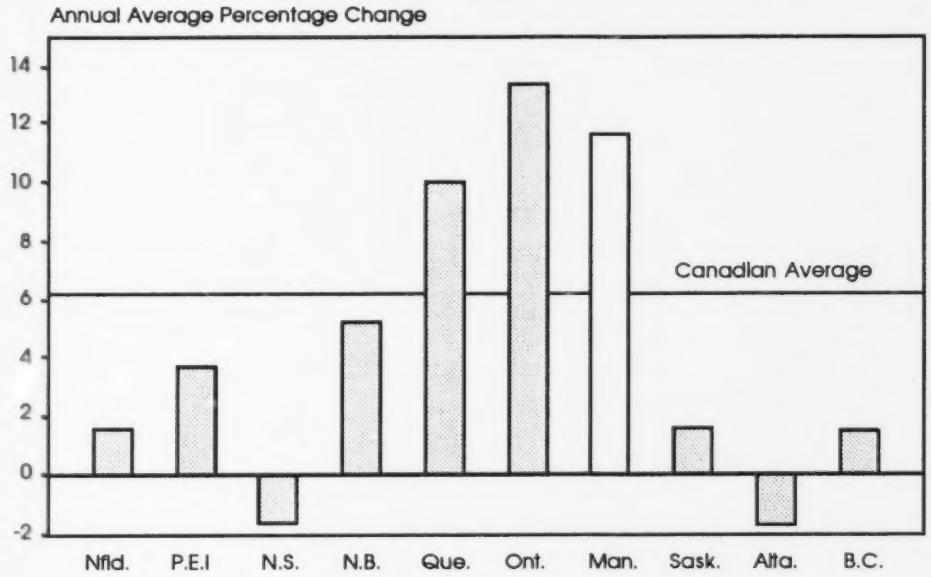
Note: Figures for 1987 are for 9 months.

Source: Manitoba Department of Labour

- Manitoba has one of the best labour-management relations records in Canada. Over the 1983 to 1987 period, time lost due to strikes and lockouts, relative to the size of the work force, was second lowest among provinces, behind Prince Edward Island, and less than one-quarter of the Canadian average.

- Labour unions represent approximately 150,000 Manitobans, or 37% of the province's paid, non-agricultural work force.

Non-Residential Investment, 1983 to 1987



Source: Statistics Canada

- From 1983 to 1987, non-residential capital investment in Manitoba increased by $980 million to just over $2.7 billion. The 56% increase in Manitoba was double the national average of 28%, and second only to Ontario among provinces.

- Private sector non-residential investment increased at an annual rate of 8.8% on average from 1983 to 1987, the third strongest growth among provinces after Ontario and Quebec.

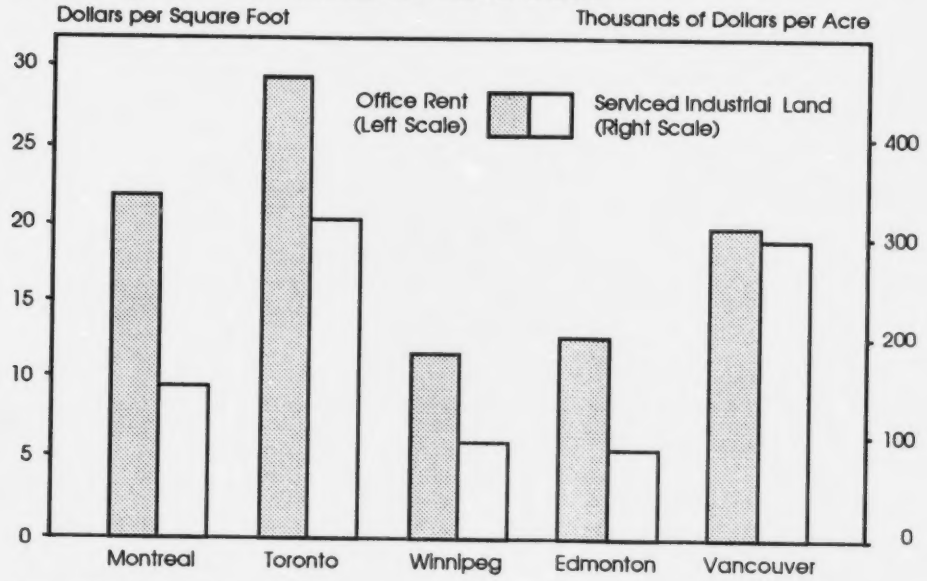
- Investment in all major sectors of the economy, except agriculture, was higher in 1987 than in 1983.

- The Limestone hydro-electric generating station and Portage Place development contributed to growth in non-residential investment in recent years. These projects accounted for about 6% and 2%, respectively, of the total in 1987.

- Continued strength in non-residential construction activity is indicated by the 27% increase in the value of building permits issued in Manitoba in the first 10 months of 1987.

- Growth in capital investment spending of large firms in Manitoba is projected to exceed the national average in 1988, according to the latest federal Department of Regional Industrial Expansion Survey.

Office Space and Industrial Land Costs



Source: Royal Lepage Market Report , Mid-year 1987

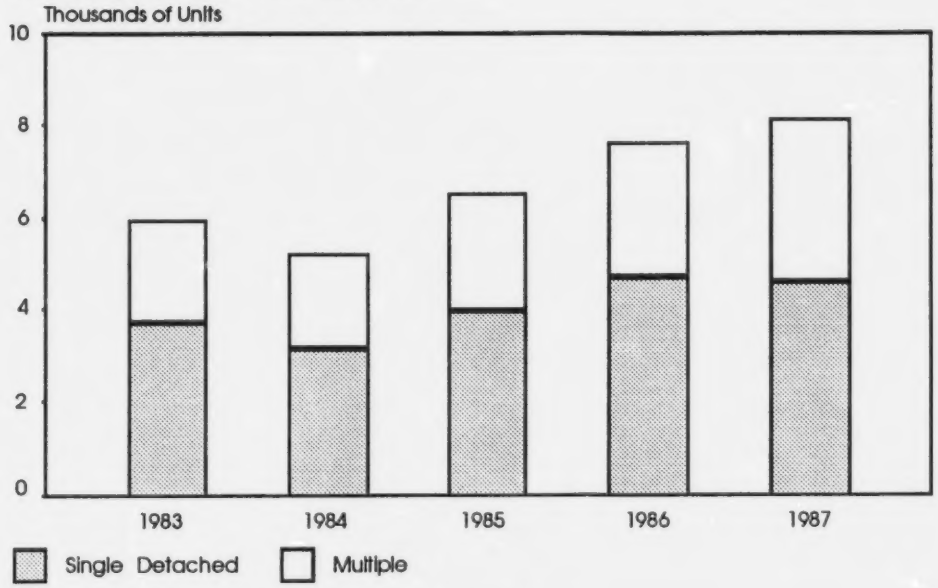
- Office and industrial land costs in Winnipeg are considerably lower than in most major Canadian cities.

- Rental costs for Class-A, downtown office space in Winnipeg ranged between $10.50 and $13.00 per square foot, compared with more than $20.00 in Vancouver and Montreal, and up to $30.00 per square foot in Toronto, in 1987.

- Serviced industrial land prices in Winnipeg in 1987 ranged between $47,000 and $150,000 per acre. Costs per acre in Montreal ranged between $130,900 and $174,500; in Vancouver between $200,000 and $400,000; and in Toronto between $90,000 and $550,000.

- Retail space in malls adjacent to major transportation routes and in downtown Winnipeg rented for $14.00 to $18.00 per square foot in 1987. Comparable rates in Toronto were $20.00 to $25.00 per square foot in strip malls, and $45.00 per square foot downtown.

Housing Starts, 1983 to 1987

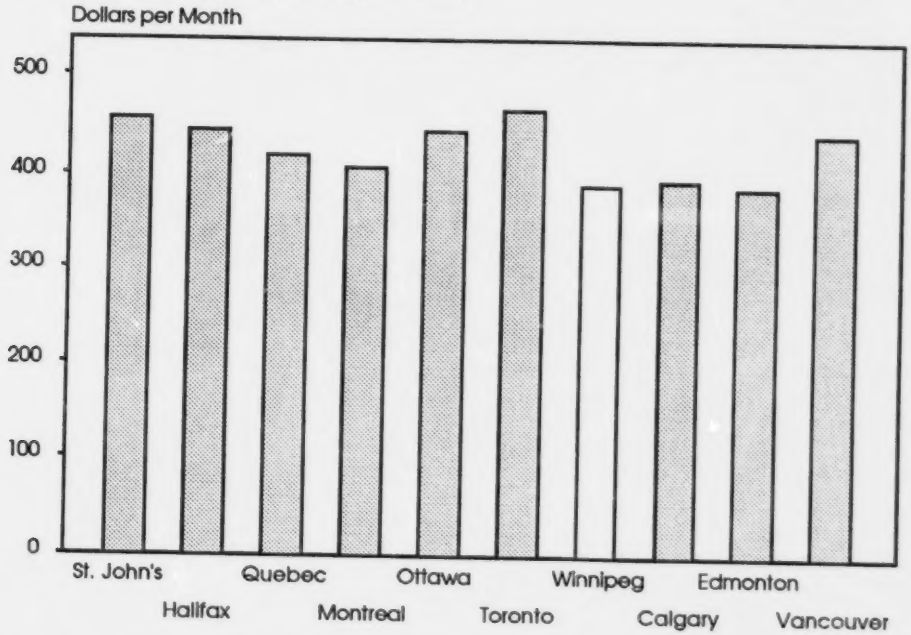


Source: Statistics Canada and Manitoba Department of Housing

- Housing starts rose to a nine-year high of 8,174 units in 1987, stimulated by growth in non-agricultural employment, wages and salaries, and population.
- The number of multiple-unit starts in the province increased by 22% to 3,543 in 1987, also a nine-year high.
- Strong investor confidence is shown by the fact that the proportion of multiple starts (approximately three-quarters in 1987), initiated without Government assistance, reached its highest level since the mid-1970s.
- Winnipeg's housing market is regarded as the most stable in Canada. According to the Royal LePage Survey of Canadian House Prices, prices in Winnipeg advanced by about 5.5% over the course of 1987, below the national average of 7.9%. Price increases in both Winnipeg and Canada have moderated in recent months.
- The average price of newer three-bedroom homes in January 1988 was $105,000 in Winnipeg, compared with $129,000 in Vancouver, $134,000 in Montreal, and $181,000 in Toronto.

Apartment Rents

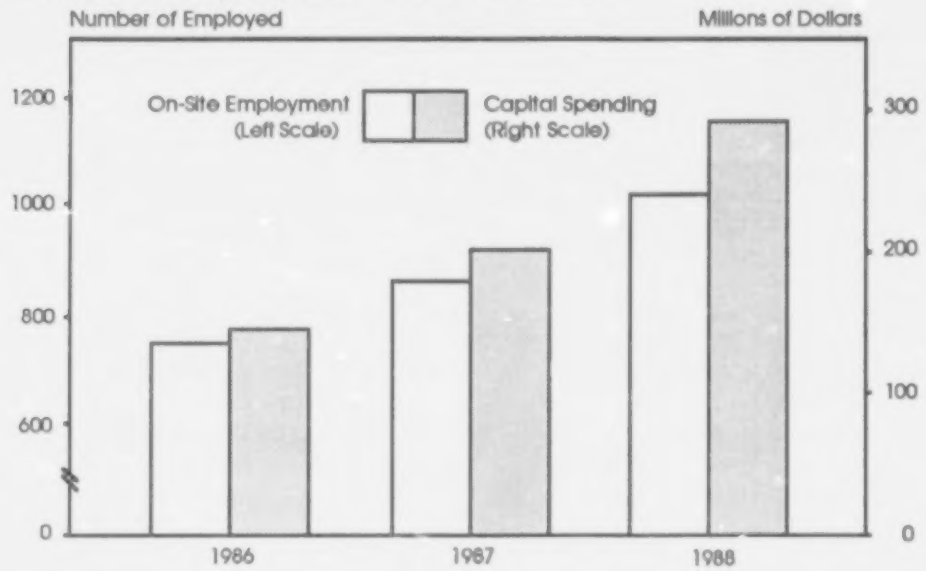
One-Bedroom Units in Major Cities



Source: Canada Mortgage and Housing Corporation, October 1987

- Rental accommodations in Winnipeg continue to be among the most affordable of any major city in Canada. Renters of one-bedroom apartments in Winnipeg and Edmonton are currently paying the lowest rent among ten major Canadian cities.
- This means savings of between $650 and $900 annually on the cost of similar apartments in St. John's, Halifax, Ottawa, Toronto or Vancouver.

Limestone Employment and Investment



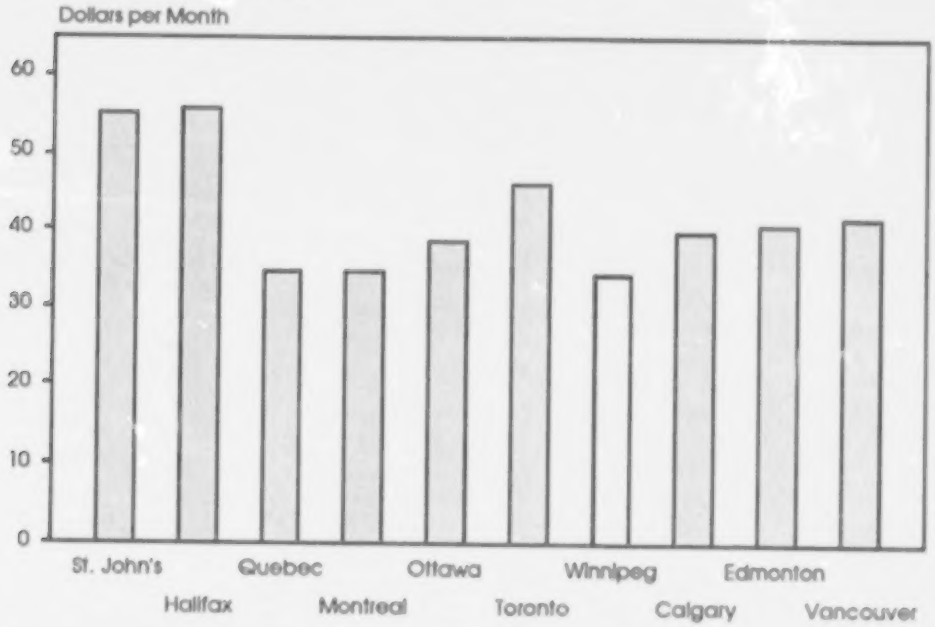
Note: Capital spending is for fiscal years beginning April 1.

Source: Manitoba Hydro

- In 1988, both direct on-site employment and capital spending on the $1.668 billion Limestone hydro-electric generating station are projected to accelerate.
- While seasonal on-site employment peaked during an earlier phase of construction, in 1988 annual average employment is projected to increase 18% to 1,020. Capital spending is projected to increase 45% to $294 million.
- Employment opportunities for northern Manitobans, both native and non-native, have been made possible through training programs for more than 1,000 people. About three-quarters of the graduates have found employment at Limestone or elsewhere.
- Limestone is also providing unprecedented opportunities for provincial business participation on hydro-electric projects. The project has achieved almost 90% Manitoba business content.

Residential Electricity Costs

Major Canadian Cities



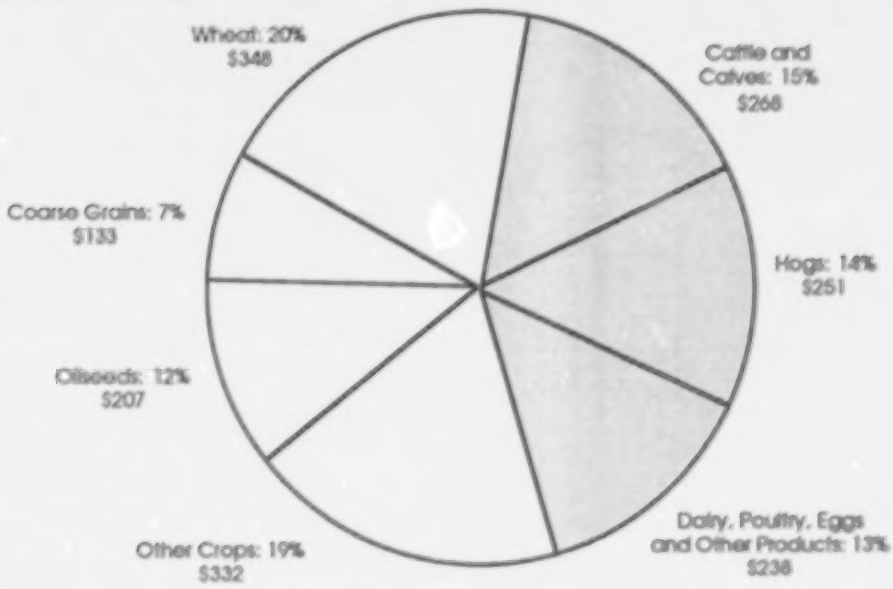
Note: Rates effective February 1, 1988, based on 750 kW h consumption

Source: Manitoba Hydro

- Residential and industrial electricity costs in Manitoba are among the lowest in the world.
- Based on consumption of 750 kW h of electricity, a Winnipeg resident pays $34.36 per month, about one-fifth lower than the ten-city average in Canada.
- The rate increase, of approximately 4.5%, scheduled for April 1, 1988, will still leave Manitoba rates among the lowest in Canada.
- Industrial consumption of 400,000 kW h per month costs $13,000 in Winnipeg, about 19% lower than in Vancouver, the next lowest Canadian city. Manitoba's costs are 70% lower than in Chicago, and only one-quarter of the $53,500 in New York, according to a 1987 Ontario Hydro Survey.

Agricultural Production, 1987

Per Cent of Total and Millions of Dollars



Total Value: $1,777 million

Crops Livestock and Other

Note: Coarse Grains include barley, $101 million, and oats, $29 million. Other Crops include hay, $128 million, and potatoes, $50 million.

Source: Manitoba Department of Agriculture

- The diversity of agricultural production in Manitoba has contributed to greater stability in farm income in recent years than in other Prairie provinces. However, depressed grain prices have constrained the value of crop production.
- Further declines in international prices, as well as unfavourable weather conditions, contributed to a 9.5% decline in the value of production in 1987, to $1.8 billion.
- The total value of crop production fell by 14%, to $1.0 billion in 1987, led by a 25% decline in wheat, and a 30% decline in barley. Potato production increased 48%, to $50 million.
- The total value of livestock production declined by about 2%, to $724 million, in 1987. A 4% increase in the value of cattle and calves was offset by declines in dairy products and poultry, while the value of hog production remained stable.

Farm Income, 1983 to 1987

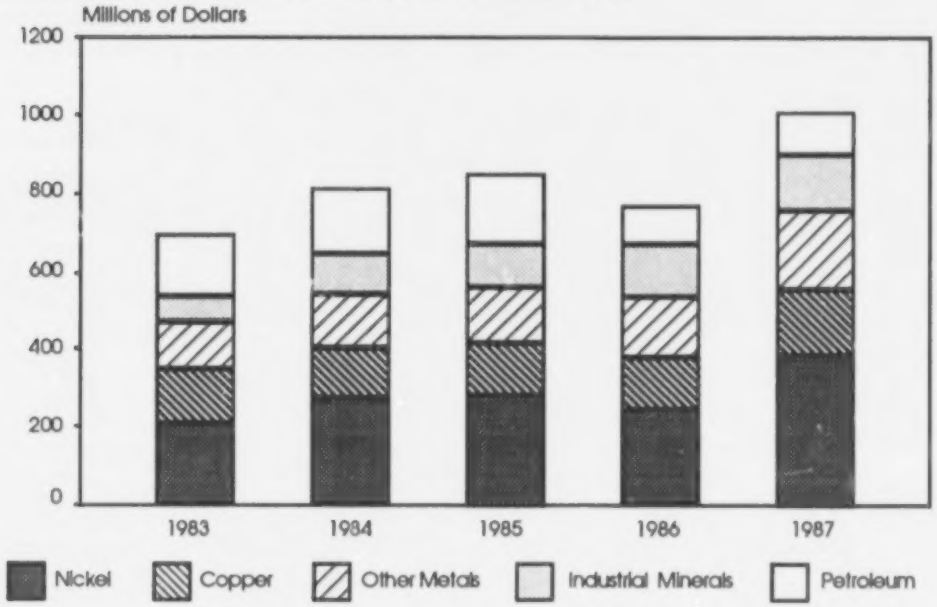
	1983	1984	1985	1986	1987
	(Millions of Dollars)				
Crop Cash Receipts	1,122	1,228	1,244	1,291	1,087
Livestock Cash Receipts	614	683	716	760	734
Other Income*	54	59	54	45	182
Realized Gross Income	1,789	1,970	2,014	2,096	2,002
Farm Expenses	1,541	1,617	1,650	1,591	1,518
Realized Net Income	**249**	**353**	**364**	**505**	**485**
Inventory Change	-166	14	290	-96	8
Total Net Income	**83**	**368**	**654**	**409**	**493**

* Includes deficiency, stabilization and supplementary payments and income-in-kind.

Source: Statistics Canada

- In 1987, realized net income in Manitoba declined by about 4%, to $485 million. Despite this decline, realized net income remained approximately double its average in the early 1980s, and above the average per farm in Saskatchewan and Alberta.
- Lower cash receipts for all crops, except potatoes and vegetables, and for cattle, calves, poultry and eggs, contributed to the decline in realized net farm income in 1987.
- Provincial and federal stabilization and income support programs have contributed substantially to gross farm income over the past several years. However, farmers have been forced to pare expenses, to the extent that the total is now below its 1983 level.
- Total net income, which includes inventory change, is estimated at $493 million in 1987.

Value of Mineral Production, 1983 to 1987

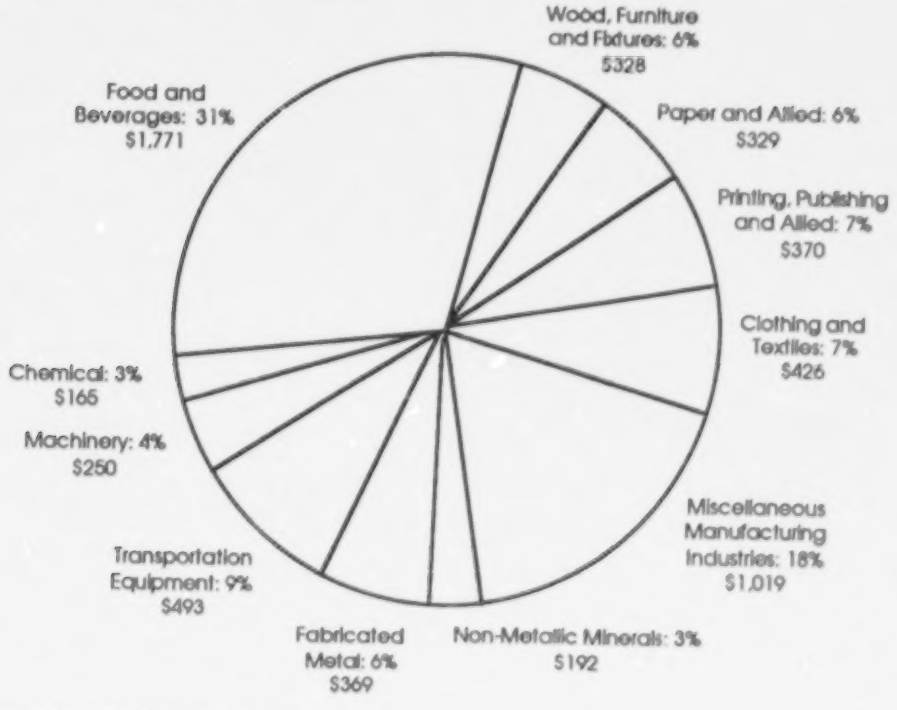


Source: Manitoba Department of Energy and Mines

- The total value of mineral production in Manitoba increased by 33% in 1987, to $1,016 million, the highest level in the province's history.
- The value of metal production increased by 42% in 1987, to about $760 million. Particularly strong increases were recorded for nickel (56%) and copper (29%). Industrial minerals and petroleum recorded increases of 9% and 17%, respectively.
- In response to stronger demand, nickel production increased by one-third in 1987 — to its highest level in 12 years. Higher prices also contributed to the 56% increase in the value of nickel production, to a record $386 million in 1987.
- Gold production increased by 47% in 1987, with the opening of two new mines in the province. Price increases also contributed to the 70% rise in the value of gold production, to $71 million.

Manufacturing Shipments, 1987

Per Cent of Total and Millions of Dollars


Wood, Furniture and Fixtures: 6% $328
Paper and Allied: 6% $329
Printing, Publishing and Allied: 7% $370
Clothing and Textiles: 7% $426
Miscellaneous Manufacturing Industries: 18% $1,019
Non-Metallic Minerals: 3% $192
Fabricated Metal: 6% $369
Transportation Equipment: 9% $493
Machinery: 4% $250
Chemical: 3% $165
Food and Beverages: 31% $1,771

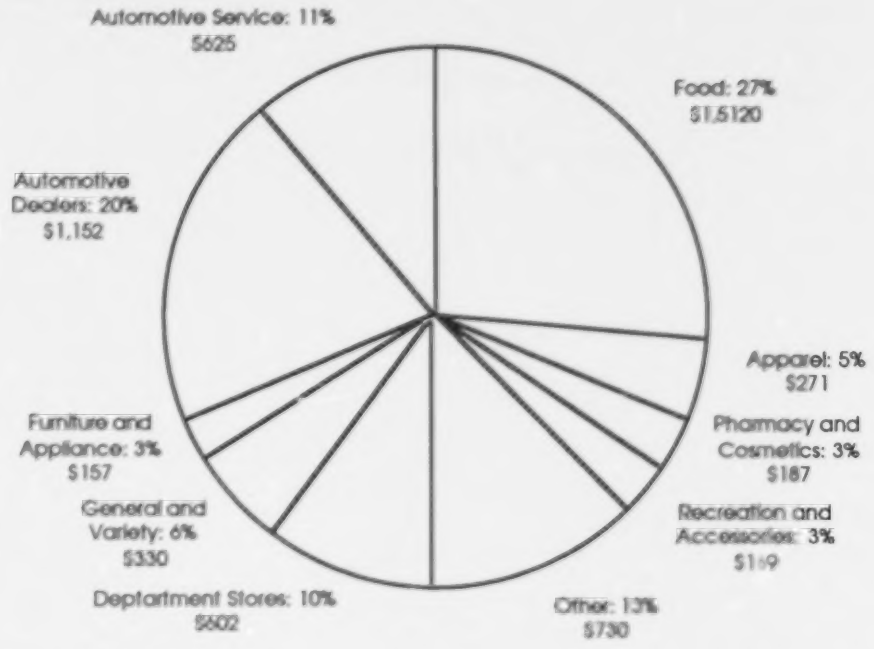
Total Vaule of Shipments: $5,712

Source: Statistics Canada

- The pace of change has accelerated in manufacturing industries in the 1980s.
- Industries related to agriculture continued to experience declining demand in 1987, although the farm machinery industry, in particular, is well positioned for a longer-term recovery in markets.
- Outside of the food and machinery industries, the value of manufacturing shipments increased by 7.0% in 1987, well above the 4.6% increase recorded nationally.
- In 1987, successful contract bids by aerospace and bus manufacturing companies contributed to a 20% increase in transportation equipment shipments. The value of metal fabricating, non-metallic minerals, paper and allied products, and wood, furniture and fixtures industry shipments, all increased by 9% or more.

Retail Sales, 1987

Per Cent of Total and Millions of Dollars



Total Sales: $5,742 million

Source: Statistics Canada

- Growth in retail and wholesale trade strengthened in 1987.
- Retail sales, which increased by 4.7% in 1986, increased by 5.5% in 1987, to an estimated $5.7 billion. Department store sales declined in 1987 while other types of stores recorded increases in sales. The largest increases in sales were in recreation and accessory stores (18%), general and variety stores (11%), automotive services (11%).
- Restaurant sales totalled $410 million in the first 11 months of 1987, an increase of 4% from the same period of 1986. Sales were slightly below year-earlier levels in the first four months, but strengthened to a 10% increase in the October-to-November period of 1987.
- The value of wholesale trade increased by 11% in 1987, to $7.2 billion, contributing to the creation of 2,000 jobs in the sector.

Outlook

- Manitobans enjoy rising living standards and assured public services, and are creating assets for the future. The stage is set for continued solid gains.

- International and national developments will have a strong bearing on Manitoba's economy. Economic growth has slowed, and greater uncertainty surrounds the prospects for trading and financial relations. The Canadian economy is relatively strong, with real growth forecast in the 2.5% range in 1988.

- Gross Domestic Product in Manitoba is expected to increase by approximately 6% in 1988. After accounting for inflation, real growth is forecast to be close to the Canadian average of about 2.5%. Further gains in employment and a reduction in the unemployment rate are expected.

- Continued apartment construction and initial work on three major new office structures, including the new $70 million Toronto-Dominion Bank office tower at Portage and Main, will support employment in the construction sector. Employment and capital spending on the Limestone hydro-electric project will move into its peak period in 1988.

- Although world grain surpluses were reduced somewhat last year, there is continued concern regarding the strength of grain prices in the year ahead.

- Successful adaptation in important manufacturing industries has strengthened the base for expansion, especially as export markets open.

- Favourable costs, including electricity and telephone charges, living expenses and wages, along with a constructive record of labour-management relations, contribute to the attractiveness of Manitoba as a place to live and work, and to expand business enterprise.

Summary of Forecasts, Manitoba, 1987 and 1988

	Real GDP		Employment		Unemployment Rate	
	1987	1988	1987	1988	1987	1988
	(% change)		(% change)		(per cent)	
Bank of Nova Scotia (Jan-88)	3.0	2.3	1.0	0.8	7.4	7.8
Royal Bank (Dec-87)	2.8	3.0	1.5	2.0	7.5	7.0
Conference Board (Oct-87)	2.2	2.5	1.0	0.8	7.4	7.3
Bank of Commerce (Oct-87)	2.7	2.5	1.8	2.0	7.3	6.7
Informetrica (Fall-87)	2.2	3.3	0.6	1.7	7.4	6.7
Bank of Montreal (Nov-87)	3.7	1.3	-	-	-	-
Average	**2.8**	**2.5**	**1.2**	**1.5**	**7.4**	**7.1**

Source: Survey of Forecasters

Manitoba Economic Statistics, 1978 to 1987

	1978	1979	1980	1981
	(Millions of Dollars except as noted)			
GROSS DOMESTIC PRODUCT	9,206	10,334	11,215	13,165
SECTORS				
Agricultural Production	1,517	1,580	1,669	1,991
Manufacturing Shipments	3,282	3,921	4,372	4,966
Mineral Production	468	653	821	658
Electric Power Sales	330	403	406	398
Housing Starts (Units)	12,121	5,772	2,597	2,824
Retail Trade	2,688	2,936	3,164	3,578
INCOME				
Farm Cash Receipts	1,140	1,327	1,481	1,658
Total Personal	7,703	8,411	9,209	11,251
Personal Disposable	6,608	7,225	7,849	9,570
Wages and Salaries	4,586	5,125	5,760	6,562
INVESTMENT				
Total*	2,018	2,041	2,024	2,276
Non-Residential	1,503	1,674	1,787	2,017
Housing*	515	367	237	259
POPULATION				
June (000's)	1,032	1,028	1,025	1,026
JOBS				
Labour Force (000's)	470	476	484	490
Employment (000's)	439	450	458	461
Participation Rate (%)	63.0	63.6	64.5	64.8
Unemployment Rate (%)	6.5	5.3	5.5	5.9
CONSUMER PRICES (Winnipeg) (% change)	8.5	9.1	10.0	11.1

p - Preliminary

* Estimates for 1985 to 1987 reflect revisions to Statistics Canada's methodology for estimating housing investment, while data prior to 1985 have not been revised.

Source: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Department of Finance

1982	1983	1984	1985	1986	1987p
	(Millions of Dollars except as noted)				
14,014	14,913	16,536	17,976	19,038	20,230
2,015	1,985	2,302	2,431	1,964	1,777
4,854	4,858	5,196	5,507	5,611	5,712
550	694	817	861	764	1,016
441	476	532	578	614	608
2,030	5,985	5,308	6,557	7,699	8,174
3,830	4,100	4,514	5,201	5,444	5,742
1,704	1,770	1,951	1,997	2,078	1,985
12,495	13,192	14,593	15,921	16,871	18,100
10,587	11,100	12,365	13,505	14,120	14,950
7,172	7,592	8,124	8,661	9,340	9,955
1,955	2,184	2,538	3,200	3,562	3,704
1,775	1,756	2,111	2,382	2,575	2,736
180	429	427	818	986	968
1,033	1,046	1,055	1,064	1,071	1,079
496	508	515	523	533	537
454	460	472	480	493	497
64.9	65.6	65.7	65.8	66.4	66.4
8.5	9.4	8.3	8.1	7.7	7.4
8.8	6.7	3.6	4.2	4.5	4.2

FINANCIAL STATISTICS

The 1988 Manitoba Budget

FINANCIAL STATISTICS

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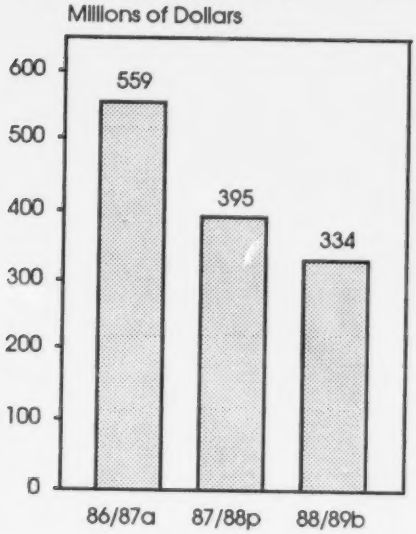
Manitoba's Budgetary Position

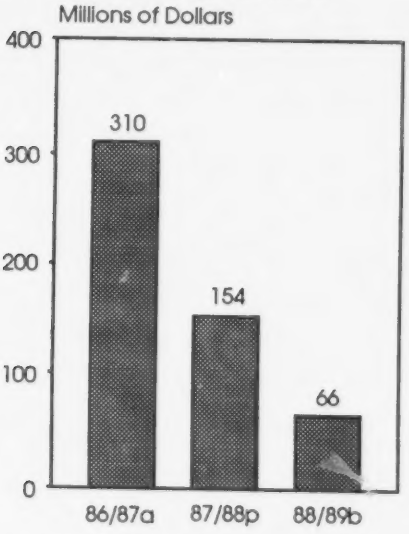
Summary, 1986/87 to 1988/89

Net Budgetary Requirement



	1986/87a	1987/88p	1988/89b
		($ Millions)	
Expenditure	3,946	4,208	4,557
Revenue	3,387	3,813	4,223
Net Requirement	559	395	334
		(Per Cent Change)	
Expenditure		6.6	8.3
Revenue		12.6	10.8
Net Requirement		<29.3>	<15.4>

Net Operating Position



	1986/87a	1987/88p	1988/89b
		($ Millions)	
Net Requirement	559	395	334
Less:			
Capital Expenditure	249	241	268
Net Operating Requirement	310	154	66
		(Per Cent Change)	
Net Requirement		<29.3>	<15.4>
Less:			
Capital Expenditure		<3.2>	11.2
Net Operating Requirement		<50.3>	<57.1>

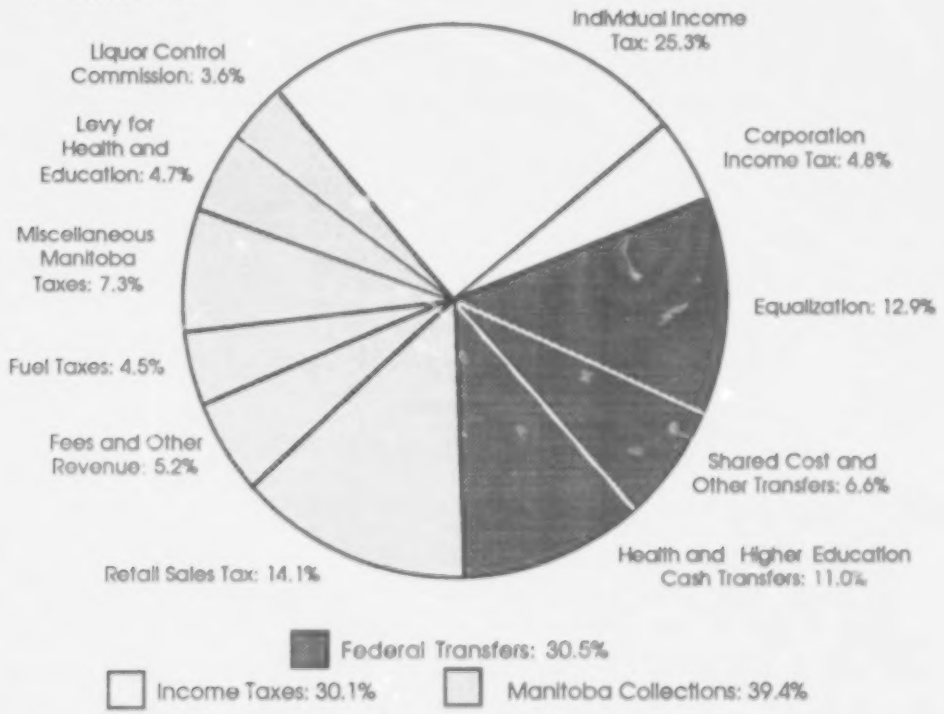
Source: Manitoba Department of Finance

a - Actual p - Projected, 2nd Quarter b - Budget

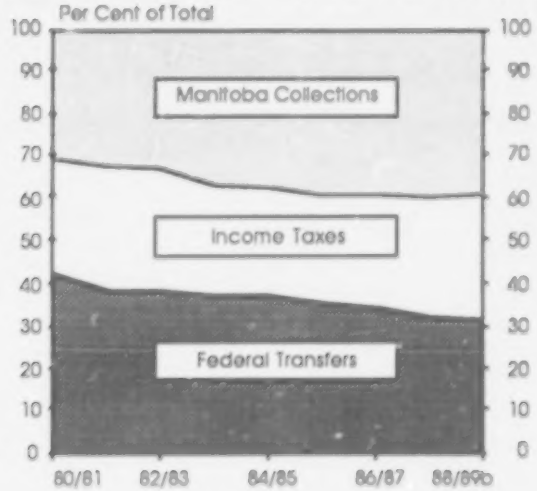
Provincial Revenue, 1988/89

Major Sources

Per Cent of Total


Individual Income Tax: 25.3%
Corporation Income Tax: 4.8%
Equalization: 12.9%
Shared Cost and Other Transfers: 6.6%
Health and Higher Education Cash Transfers: 11.0%
Retail Sales Tax: 14.1%
Fees and Other Revenue: 5.2%
Fuel Taxes: 4.5%
Miscellaneous Manitoba Taxes: 7.3%
Levy for Health and Education: 4.7%
Liquor Control Commission: 3.6%
Federal Transfers: 30.5%
Income Taxes: 30.1%
Manitoba Collections: 39.4%

Manitoba Revenue by Source, 1980/81 to 1988/89



	Manitoba Collections	Income Taxes	Federal Transfers
	(Per Cent of Total)		
80/81	30.9	26.7	42.4
81/82	32.7	28.9	38.4
82/83	33.4	28.4	38.2
83/84	37.6	25.3	37.1
84/85	38.0	24.5	37.5
85/86	39.6	24.9	35.5
86/87	39.7	26.0	34.3
87/88p	40.1	28.2	31.7
88/89b	39.4	30.1	30.5

p - Projected b - Budget

Source: Manitoba Department of Finance

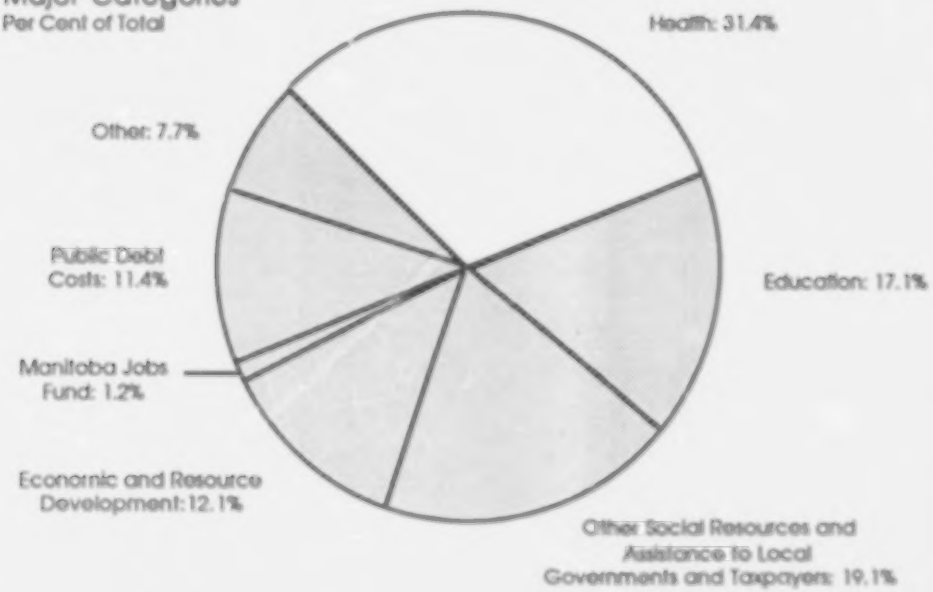
1988/89 REVENUE ESTIMATES

		1988/89 Estimate	% of Total
OWN SOURCE REVENUE			
Manitoba Collections		$1,664,214,000	39.4
Taxes, Levies and Collections			
- Land Transfer Tax	$ 12,960,000		
- Corporation Capital Tax	59,900,000		
- Gasoline Tax	125,100,000		
- Insurance Corporations Tax	21,000,000		
- Levy for Health and Education	197,400,000		
- Mining Tax	45,000,000		
- Motive Fuel Tax	64,400,000		
- Oil and Natural Gas Tax	8,300,000		
- Retail Sales Tax	598,000,000		
- Revenue Act, 1964, Part I	44,000,000		
- Tobacco Tax	92,000,000		
- Other Taxes	5,228,500		
- Reciprocal Taxation Agreement	18,000,000		
Subtotal	$ 1,291,288,500		
Fees and Other Revenue			
- Fines and Costs; Land Titles; and Other Legal	$ 23,178,600		
- Minerals and Petroleum; and Other Energy and Mines	8,120,300		
- Automobile and Motor Carrier Licences and Fees	42,299,300		
- Drivers' Licences	7,797,100		
- Water Resources	27,473,600		
- Parks; Forestry; Fisheries; and Other Natural Resources	15,309,600		
- All Other Manitoba Collections	94,747,000		
Subtotal	$ 218,925,500		
Liquor Control Commission	$ 154,000,000		
Income Taxes		1,270,600,000	30.1
- Corporation Income Tax	$ 204,400,000		
- Individual Income Tax	1,066,200,000		
FEDERAL TRANSFERS		1,287,785,100	30.5
Equalization	$ 544,000,000		
Health and Higher Education Cash Transfer	$ 465,300,000		
Shared Cost and Other Transfers			
- Canada Assistance Plan	$ 188,434,300		
- Other	90,051,200		
Subtotal	$ 278,485,100		
TOTAL REVENUE		$4,222,599,100	100.0

Provincial Expenditure, 1988/89

Major Categories

Per Cent of Total


Health: 31.4%
Education: 17.1%
Other Social Resources and Assistance to Local Governments and Taxpayers: 19.1%
Economic and Resource Development: 12.1%
Manitoba Jobs Fund: 1.2%
Public Debt Costs: 11.4%
Other: 7.7%

Program Expenditure, 1988/89

Operating and Capital

	Operating Expenditure	Capital Expenditure	Total Program Expenditure
		($ Millions)	
Health	1,396	42	1,439
Education	754	29	783
Other Social Resources and Assistance to Local Governments and Taxpayers	855	24	879
Economic and Resource Development	434	122	556
Manitoba Jobs Fund	47	8	54
Other	334	19	353
Minor Capital	-24	24	0
Total	**3,795**	**268**	**4,063**

Note: Totals in the chart may not add due to rounding.

1988/89 EXPENDITURE ESTIMATES

	1988/89 Estimate	Per Cent of Total	
		Program	Budgetary
Health	$1,438,545,400	35.4	31.4
Education	783,150,300	19.3	17.1
Other Social Resources and Assistance to Local Governments and Taxpayers	878,599,400	21.6	19.1
• Community Services	$232,087,300		
• Culture, Heritage & Recreation	22,211,000		
• Employment Services & Economic Security	250,523,000		
• Labour	10,575,000		
• Municipal Affairs	43,286,900		
• Urban Affairs	71,316,200		
• Tax Credit Payments	248,600,000		
Economic and Resource Development	555,744,500	13.7	12.1
• Agriculture	$90,203,300		
• Business Development & Tourism	16,702,400		
• Co-operative Development	2,073,100		
• Energy & Mines	11,375,000		
• Environment & Workplace Safety & Health	12,705,800		
• Highways & Transportation	201,134,400		
• Housing	48,051,700		
• Industry, Trade & Technology	8,904,300		
• Natural Resources	86,067,900		
• Northern Affairs	30,448,600		
• Hydro Rate Stabilization	38,411,400		
• Canada-Manitoba Enabling Vote	9,666,600		
Manitoba Jobs Fund	54,173,500	1.3	1.2
Other	353,158,000	8.7	7.7
• Legislation	$10,392,100		
• Executive Council	3,187,200		
• Attorney-General	84,069,300		
• Civil Service	65,818,300		
• General Salary Increase	24,000,000		
• Consumer & Corporate Affairs	5,126,200		
• Finance - Departmental Programs	19,352,200		
• Government Services	139,712,700		
• Flood Control & Emergency Expenditures	1,500,000		
TOTAL PROGRAM EXPENDITURE	**$4,063,371,100**	100.0	88.6
Public Debt Costs	523,348,000		11.4
TOTAL EXPENDITURE ESTIMATE	**$4,586,719,100**		**100.0**
Less: Year-End Savings	30,000,000		
TOTAL BUDGETARY EXPENDITURE	**$4,556,719,100**		

Incremental Capital Authority Requirements for Non-Budgetary Programs, 1988/89

The Loan Act, 1988

Manitoba Telephone System	$ 60,000,000
Manitoba Data Services	5,000,000
Manitoba Mineral Resources Ltd	15,000,000
Manitoba Housing and Renewal Corporation	18,600,000
Manitoba Energy Authority	5,000,000
Manitoba Hazardous Waste Management Corporation	2,000,000
Manitoba Properties Inc	39,600,000
Communities Economic Development Fund	2,300,000
Manitoba Jobs Fund	10,000,000
Federal/Provincial Water and Sewer Agreement	30,000,000
	$ 187,500,000

Non-Budgetary Capital Program, 1988/89

Manitoba Hydro	$ 459,100,000
Manitoba Telephone System	185,000,000
Manitoba Data Services	15,000,000
Manitoba Agricultural Credit Corporation	48,900,000
Manitoba Housing and Renewal Corporation	103,700,000
Manitoba Properties Inc	48,500,000
Manitoba Water Services Board	5,000,000
Manitoba Jobs Fund	37,100,000
Federal/Provincial Water and Sewer Agreement	30,000,000
Miscellaneous Corporations and Agencies	60,800,000
Total Non-Budgetary Capital Program	**$ 993,100,000**

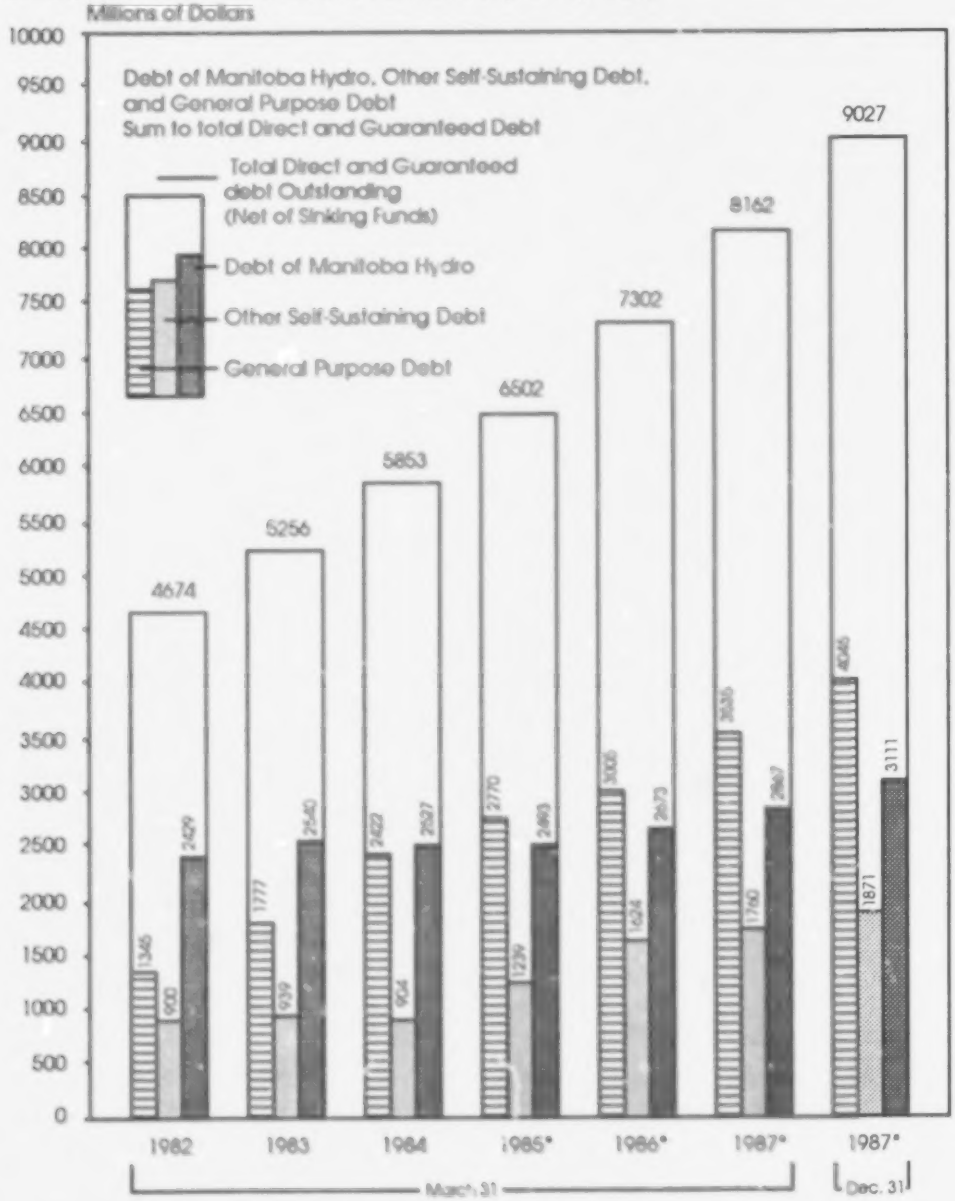
STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES, AND OTHER LONG-TERM DEBT OUTSTANDING

As at January 31, 1988 (in thousands) (preliminary unaudited)

Valuation of Debt	Par Value	Canadian Dollar Equivalent at Date of Issue	Exchange Rate as at January 29, 1988	Canadian Dollar Valuation	Amortized Book Value (Note)	Unamortized Foreign Exchange Fluctuation
Direct Debt Payable In:						
Canadian Dollars	4,225,901	$ 4,225,901	$1.00	$ 4,225,901	$ 4,225,901	$ -
Foreign Issues Swapped to Canadian Dollars	207,315	207,315	1.00	207,315	207,315	-
U.S. Dollars	1,514,700	1,885,003	1.276	1,932,757	1,981,221	(48,464)
Foreign Issues Swapped to U.S. Dollars	106,822	126,298	1.276	136,765	134,774	1,531
Swiss Francs	1,609,800	1,049,215	0.9331	1,502,104	1,144,326	357,778
European Units of Account	2,000	2,160	3.811	7,622	5,044	2,578
Japanese Yen	145,000,000	915,293	0.009965	1,444,925	1,005,769	439,156
Deutsche Marks	900,000	491,786	0.7604	684,360	501,781	182,579
Total Direct Debt		$ 8,902,971		$ 10,141,289	$ 9,206,131	$ 935,158
Guaranteed Debt Payable In:						
Canadian Dollars	975,921	$ 975,921	$1.00	$ 975,921	$ 975,921	$ -
U.S. Dollars	773,000	772,490	1.276	982,148	900,467	85,681
Swiss Francs	80,000	54,280	0.9331	74,646	60,916	13,730
Total Guaranteed Debt		$ 1,802,691		$ 2,036,917	$ 1,937,306	$ 99,611
Total Direct & Guaranteed Debt		$10,705,662		$ 12,178,206	$ 11,143,437	$ 1,034,769
Less: Sinking Funds		1,327,978		1,327,978	1,327,978	
Net Direct & Guaranteed Debt		$ 9,377,684		$ 10,850,228	$ 9,815,459	
Purpose of Debt						
General Government Programs		$ 4,045,397		$ 4,929,805	$ 4,203,977	$ 725,828
Other:						
The Manitoba Hydro-Electric Board		$ 3,461,633		$ 4,023,401	$ 3,728,648	$ 294,753
The Manitoba Telephone System		714,771		741,139	726,951	14,188
Manitoba Properties Inc.		399,143		399,143	399,143	-
The Manitoba Agricultural Credit Corporation		228,286		228,286	228,286	-
Manitoba Jobs Fund Programs		175,268		175,268	175,268	-
Manfor Ltd.		115,142		115,142	115,142	-
The Manitoba Housing and Renewal Corporation		112,103		112,103	112,103	-
The Manitoba Beef Stabilization Fund		37,600		37,600	37,600	-
University of Manitoba		3,498		3,498	3,498	-
The Manitoba Water Services Board		17,050		17,050	17,050	-
The Manitoba Oil and Gas Corporation		15,000		15,000	15,000	-
Federal-Provincial Loan Agreements		8,889		8,889	8,889	-
Emergency Interest Rate Relief Program		9,000		9,000	9,000	-
Manitoba Mineral Resources Ltd.		8,400		8,400	8,400	-
Energy Conservation Loan Fund		12,820		12,820	12,820	-
Venture Manitoba Tours Ltd.		2,587		2,587	2,587	-
The Manitoba Hog Income Stabilization Plan		2,400		2,400	2,400	-
Manitoba Data Services		1,662		1,662	1,662	-
Municipal, Hospital and Other Indebtedness		1,035		1,035	1,035	-
Venture Capital Program		1,000		1,000	1,000	-
Tourism Agreement 1985-90		500		500	500	-
Le Fonds de Caisses Populaires		4,500		4,500	4,500	-
Total Other		$ 5,332,287		$ 5,920,423	$ 5,611,482	$ 308,941
Net Direct and Guaranteed Debt		$ 9,377,684		$ 10,850,228	$ 9,815,459	$ 1,034,769

NOTE: The amortized book value represents the estimated March 31, 1988 balances adjusted for any maturities during the period between January 31, 1988 and March 31, 1988.

Province of Manitoba
Direct and Guaranteed Debt: By Purpose



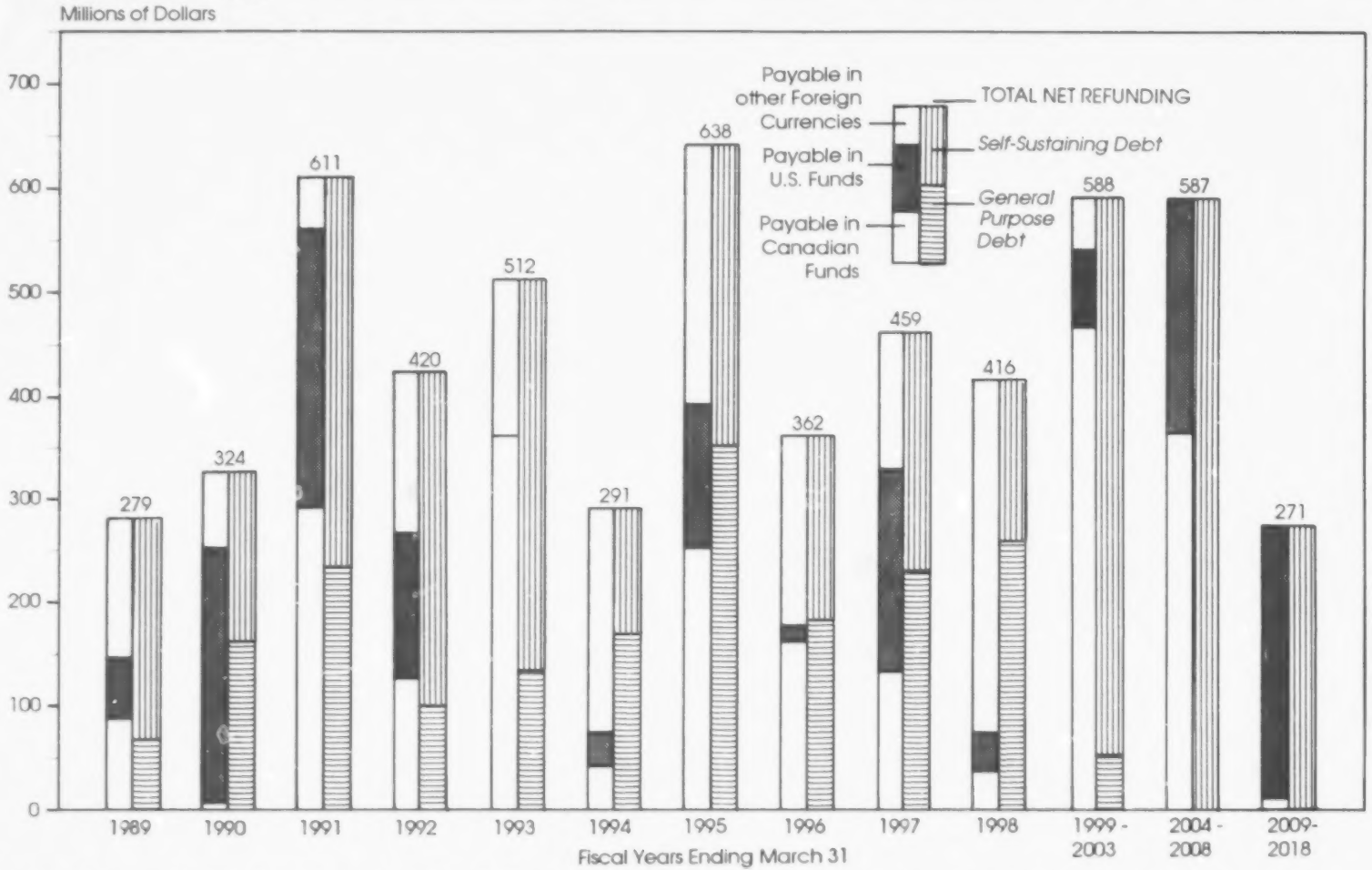
Note: The above table indicates the Total Direct and Guaranteed Debt of the Province of Manitoba (after deducting accumulated Sinking Funds) based on the Canadian Dollar Equivalent on the date of issue for all foreign debt.

* Includes $278 million in 1985 and $399 million in 1986 and 1987 of cumulative redeemable retractable 9 1/4% preferred shares issued by Manitoba Properties, Inc. guaranteed by the Province.

Province of Manitoba Direct and Guaranteed Debt

Net Refunding Requirements by Fiscal Year: By Currency of Payment and Purpose

As at January 31, 1988

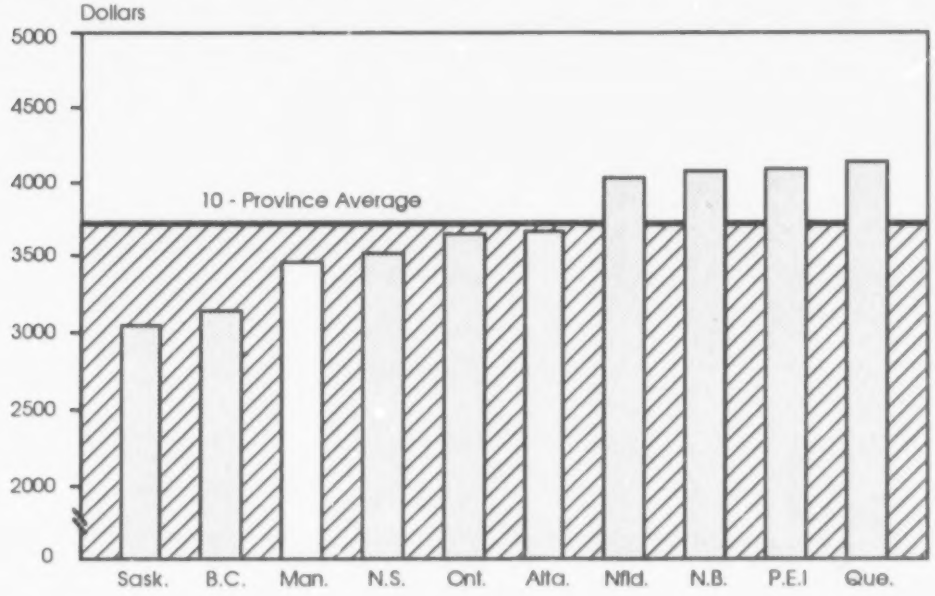


Notes: (a) The above chart indicates the amount which the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt outstanding at January 31, 1988, after application of accumulated sinking funds based on the Canadian Dollar Equivalent on the date of issue.

(b) The Province of Manitoba has five retractable debenture issues and one extendable debenture issue outstanding at January 31, 1988. The maturity date of these issues have been assumed to be the maturity date occurring if the holder of the security does not elect to utilize his extendable or retractable option.

Revenue Per Capita

Interprovincial Comparison, 1987/88



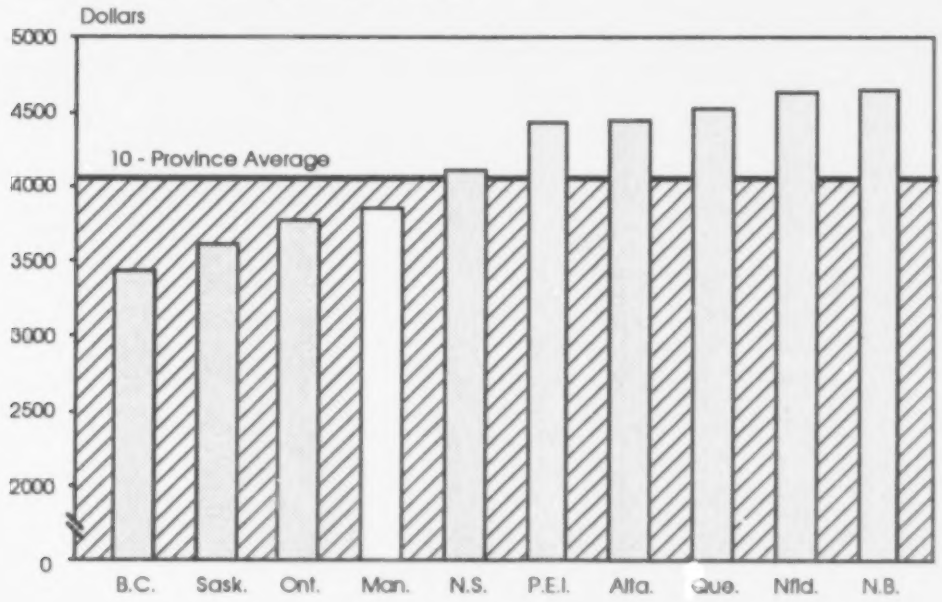
Province	Dollars Per Capita	Province	Dollars Per Capita
Newfoundland	4,022	Manitoba	3,467
Prince Edward Island	4,120	Saskatchewan	3,057
Nova Scotia	3,534	Alberta	3,687
New Brunswick	4,075	British Columbia	3,167
Quebec	4,156		
Ontario	3,656	10-Province Average	3,718

Source: Midland Doherty Provincial Budget Reports

- Manitoba's fiscal situation compares favourably with that in other provinces.
- Analysis of 1987 provincial budgets shows that Manitoba revenue per capita is third lowest in Canada, $251 per capita below the 10-province average.

Expenditure Per Capita

Interprovincial Comparison, 1987/88



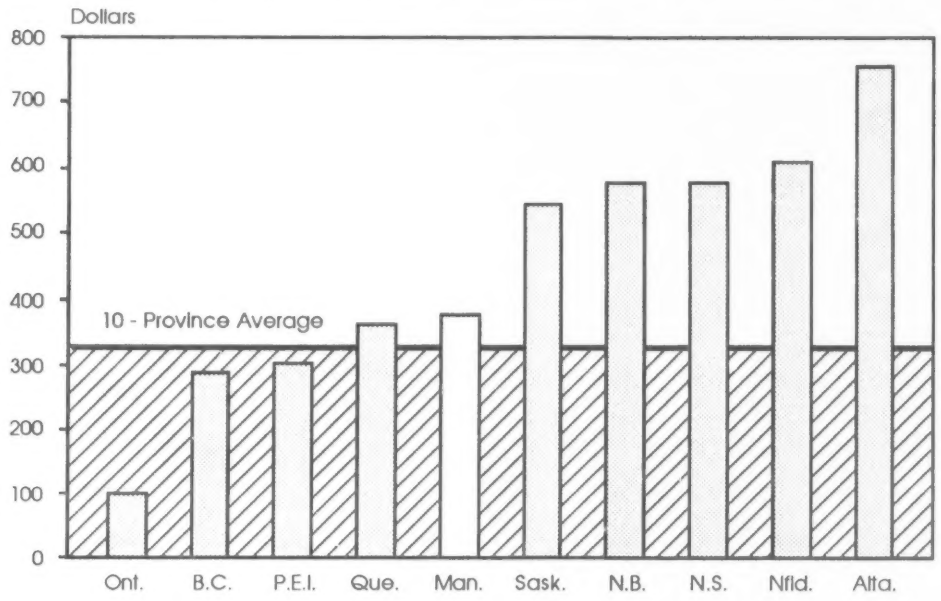
Province	Dollars Per Capita	Province	Dollars Per Capita
Newfoundland	4,640	Manitoba	3,847
Prince Edward Island	4,422	Saskatchewan	3,610
Nova Scotia	4,112	Alberta	4,451
New Brunswick	4,651	British Columbia	3,454
Quebec	4,516		
Ontario	3,762	10-Province Average	4,043

Source: Midland Doherty Provincial Budget Reports

- The Manitoba Government has placed great emphasis on providing quality services at reasonable cost.
- In 1987/88, Manitoba's budgeted per capita expenditure was fourth lowest among provinces, $196 below the 10-province average.

Deficits Per Capita

Interprovincial Comparison, 1987/88



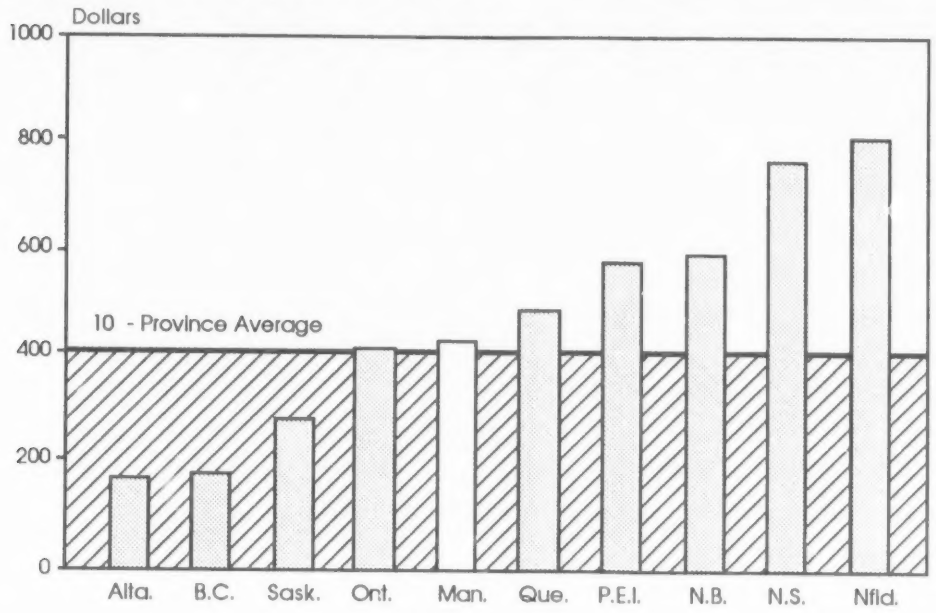
Province	Dollars Per Capita	Province	Dollars Per Capita
Newfoundland	618	Manitoba	381
Prince Edward Island	302	Saskatchewan	551
Nova Scotia	578	Alberta	765
New Brunswick	576	British Columbia	287
Quebec	360		
Ontario	106	10-Province Average	325

Source: Midland Doherty Provincial Budget Reports

- Manitoba's fiscal strategy is showing good results when compared with those in other provinces.
- Manitoba's net budgetary requirement in 1987/88, at $381 per capita, was fifth lowest among provinces and $56 per capita above the 10-province average. Our actual figures for 1987/88 are projected to be lower than budgeted.

Debt Service Costs Per Capita

Interprovincial Comparison, 1987/88



Province	Dollars Per Capita	Province	Dollars Per Capita
Newfoundland	810	Manitoba	424
Prince Edward Island	573	Saskatchewan	281
Nova Scotia	771	Alberta	171
New Brunswick	588	British Columbia	179
Quebec	485		
Ontario	412	10-Province Average	405

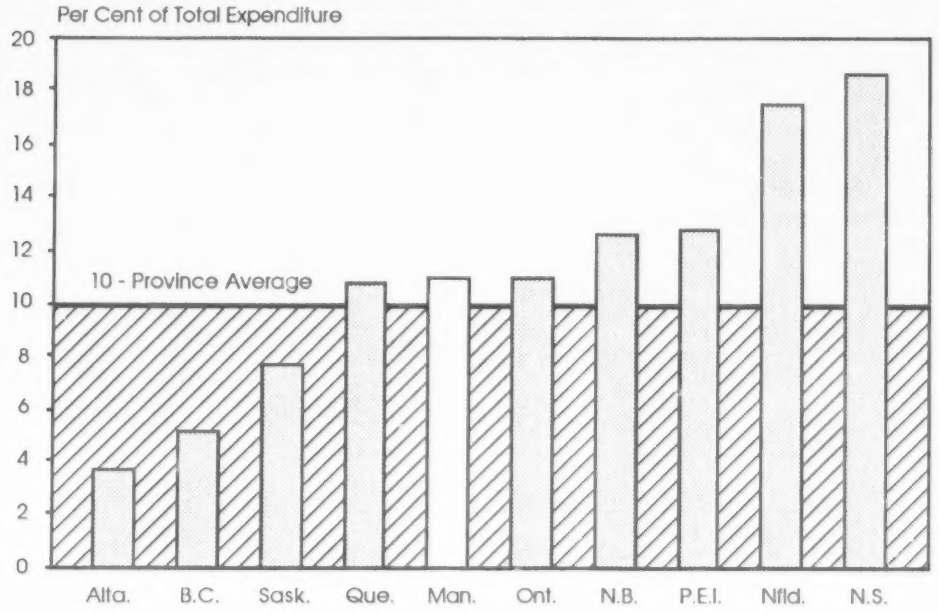
Source: Midland Doherty Provincial Budget Reports

- High Canadian interest rates have resulted in additional costs to borrowers. Lower rates in the United States and elsewhere have provided opportunities to reduce interest costs. The recent rise of the Canadian dollar, particularly as measured against the United States dollar, offsets some of the effects of foreign exchange fluctuations which have occurred over the past few years.

- Manitoba's budgeted debt service costs per capita in 1987/88 were fifth lowest among provinces and close to the 10-province average.

Debt Service Costs as a Proportion of Budgeted Expenditure

Interprovincial Comparison, 1987/88



Province	Per Cent of Total	Province	Per Cent of Total
Newfoundland	17.5	Manitoba	11.0
Prince Edward Island	12.9	Saskatchewan	7.8
Nova Scotia	18.7	Alberta	3.8
New Brunswick	12.6	British Columbia	5.2
Quebec	10.7		
Ontario	11.0	10-Province Average	10.0

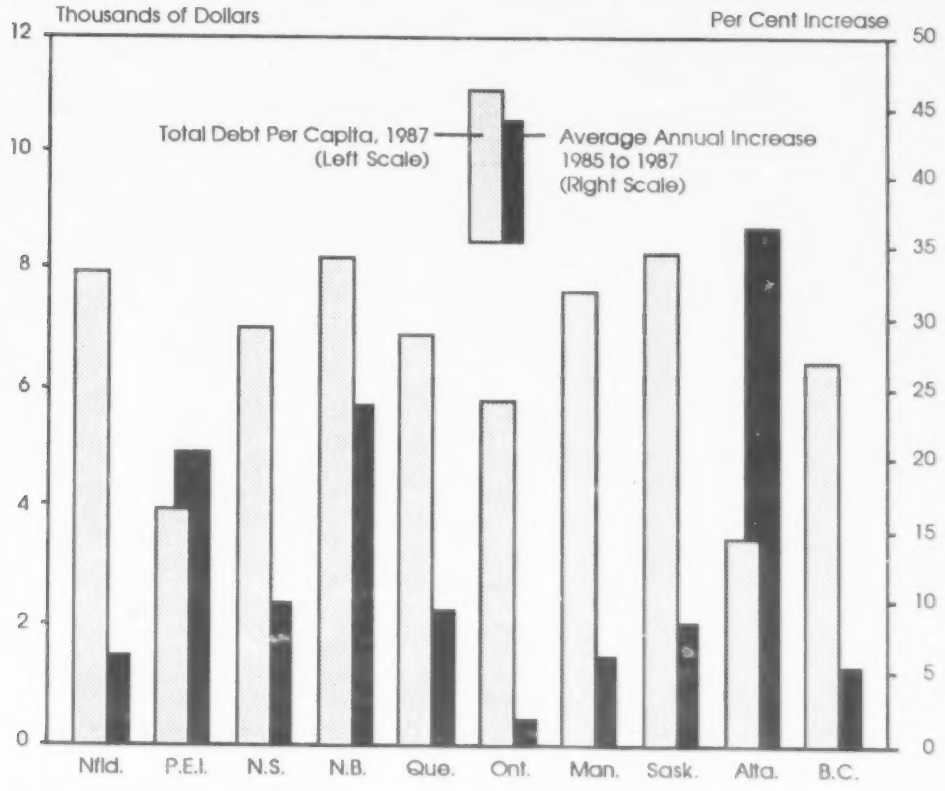
Source: Midland Doherty Provincial Budget Reports

- The proportion of budgetary expenditures required for debt service, in large part incurred in the aftermath of the recession of the early 1980s, has risen sharply in most provinces.
- In Manitoba, 11% of our 1987/88 budgeted expenditure was required for debt service. This was fifth lowest in Canada and compares to the 10-province average of 10%.
- As shown in the chart on page 8 of these Financial Statistics, 57% of Manitoba's debt was Hydro and other self-sustaining debt, as opposed to general purpose debt, and interest related to this portion was therefore not a charge on the Provincial Budget.

Total Debt Per Capita

Interprovincial Comparison

as of 1987 Budgets



Source: Midland Doherty

Province	Debt Per Capita 1987 Budgets	Average Annual Increase 1985 to 1987
	(Dollars)	(Per Cent)
Newfoundland	8,009	6.2
Prince Edward Island	4,011	20.7
Nova Scotia	7,135	10.1
New Brunswick	8,279	24.0
Quebec	6,959	9.4
Ontario	5,835	2.0
Manitoba	7,720	6.1
Saskatchewan	8,369	8.4
Alberta	3,525	36.6
British Columbia	6,557	5.6

Source: Midland Doherty Provincial Budget Reports

TAXATION ADJUSTMENTS

The 1988 Manitoba Budget

TAXATION ADJUSTMENTS

Contents

I. Taxation and Related Program Adjustments 1

II. Federal Tax Reform and Adjustments to Manitoba Programs 4

III. Manitoba Tax Expenditure Account 9

I. TAXATION AND RELATED PROGRAM ADJUSTMENTS

This section provides a general description of taxation and related measures introduced in the 1988 Manitoba Budget. More detailed information is available from the offices listed, or in the appropriate legislation.

MINING TAXES

(1988/89 Revenue Impact: +$15.0 million)

The **general mining tax rate** will be increased from 18% to 20%, the same as in Ontario. Processing allowances will be adjusted to an effective rate of 8% to reflect the processing assets used.

A special **refundable 7% tax** will be applied to mining profits earned in Manitoba. The special tax will be reduced by Manitoba corporation income taxes paid. This will ensure that mining companies pay taxes at least equal to 7% of their annual mining profits earned in Manitoba.

The formula for allocating taxable income among the provinces under the corporation income tax no longer produces a reasonable distribution in the mining sector. This has occurred, in part, because companies have invoiced export sales of Manitoba products in other jurisdictions. These sales are excluded for the purpose of provincial taxation or are allocated to other provinces. The result has been substantial reductions in the share of taxable income allocated to Manitoba and therefore in Manitoba income taxes paid. Analysis of tax returns shows that these artificial allocations have cut Manitoba income taxes paid by the industry by more than one-half.

Corporate taxpayers retain the ability to re-arrange their handling of export sales to ensure a fair allocation of taxable income to Manitoba. They will not have to pay the new tax, provided their Manitoba income tax payments are at least equal to 7% of their mining profits.

These measures will apply to corporation years commencing in 1988 and subsequent years.

A new **Mining Development Fund** will replace the 5% **New Investment Credit** and the **Mining Community Reserve Fund**.

Inquiries relating to mining taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945-3085

Inquiries relating to the Mining Development Fund should be directed to:

Policy Planning and Project Development Division
Department of Energy and Mines
5th Floor, 330 Graham Avenue
Winnipeg, Manitoba
R3C 4A5
Telephone: (204) 945-2127

HEALTH: TOBACCO TAX

(1988/89 Revenue Impact: +$11.0 million)

As a health initiative, the **tobacco tax rate** will be increased from 4.6¢ per cigarette to 5.5¢ per cigarette, effective 12:01 a.m., March 28, 1988. Comparable increases will apply to fine-cut tobacco and other tobacco products.

This measure reflects more accurately the social and health costs associated with tobacco consumption. Cigarette consumption is expected to decline 15% in 1988/89 with ongoing benefits to the health of Manitobans. Overall revenue from the tobacco tax is not expected to grow from the $93 million printed in the 1987 Budget.

Inquiries regarding tobacco taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945-3284

FUEL TAXES

Environment: Leaded Gasoline Surcharge
(1988/89 Revenue Impact: +$3.2 million)

The special **surcharge on leaded gasoline** will be increased 0.9¢ per litre to 1.8¢ per litre, effective July 1, 1988. The surcharge should result in the environmentally cleaner unleaded fuel being available at or below the price of leaded gasoline in Manitoba.

One of the most significant sources of lead in the environment is exhaust emissions of automobiles using leaded gasoline. Exposure to lead has been linked by medical studies to lead poisoning, causing neurological disorders and problems in the mental development of children. Children are particularly at risk because they are exposed to more lead on a dose per body weight basis than adults.

By reducing or eliminating the oil industry's present 0.9¢ per litre incentive to use leaded gasoline, the surcharge will have beneficial effects on the environment and therefore the health of Manitobans. Leaded fuel sales are expected to decline 30% in 1988/89.

Manitoba's general gasoline tax rate will remain at 8.0¢ per litre, the fourth-lowest among provinces. All marked fuels used by farmers will continue to be exempt from provincial fuel taxes.

Other Fuel Taxes
(1988/89 Revenue Impact: +$6.5 million)

The **railway locomotive diesel fuel tax rate** will be increased from 13.6¢ per litre to 15.0¢ per litre, the same as in Saskatchewan.

The **tax on aviation fuel** will be increased 2.0¢ per litre to 6.8¢ per litre, less than the Saskatchewan rate.

These changes take effect April 1, 1988.
Inquiries regarding fuel taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C 0P8
Telephone: (204) 945-3288

OTHER FEES AND CHARGES

(1988/89 Revenue Impact: +$8.0 million)

Various departmental fees and charges will be revised for 1988/89. The specific changes will be announced by the departments administering these fees and charges.

PERSONAL INCOME TAX

(A small revenue reduction)

The federal government has replaced personal exemptions by non-refundable tax credits in the personal income tax system. As a result, a number of adjustments to the Manitoba Tax Reduction, the Manitoba High Income Surtax, and the Cost of Living Tax Credit are required. The changes are designed to protect benefits for low- and moderate-income Manitobans.

The changes are described in detail in the next section.
These changes will be administered by Revenue Canada.

II. FEDERAL TAX REFORM AND ADJUSTMENTS TO MANITOBA PROGRAMS

As a result of the federal changes announced in the December 16, 1987 Notice of Ways and Means Motion, adjustments to three Manitoba income tax related programs are required:

- the Cost of Living Tax Credit,
- the Manitoba Tax Reduction, and
- the Manitoba High Income Surtax.

In all cases, the adjustments are required because the federal government has replaced personal exemptions with personal credits. The Manitoba programs in question are all based, in part, on personal exemptions.

In general, the adjustments are designed to parallel closely the existing benefit levels. The amounts used in the new calculations will no longer be related to personal exemptions, but will utilize fixed maximum levels which vary according to family circumstances.

The Cost of Living Tax Credit is changed from 4% of personal exemptions minus 1% of family net income, to the following fixed amounts minus 1% of family net income:

COMPARISON OF 1988 AND 1987 COST OF LIVING TAX CREDIT MAXIMUM LEVELS

	1988	4% of 1987 Personal Exemptions
Single	$190	$169
Married or Equivalent	190	148
Age or Disability*	110	106
Dependent under 18	25	22
Disabled Dependent over 18	60	58

*1987 level is based on the Age Exemption.

The credit for a single taxfiler will be available to all claimants eligible for a Cost of Living Tax Credit, and the additional amounts will be available to all taxfilers who claim federal credits under the corresponding circumstances.

As announced in November, 1987 the Manitoba Tax Reduction is changed from 5% of personal exemptions minus 1% of net income, to the following fixed amounts less 2% of net income:

COMPARISON OF 1988 AND 1987 MANITOBA TAX REDUCTION AMOUNTS

	1988	5% of 1987 Personal Exemptions
Single	$430	$211
Married or Equivalent	370	185
Age or Disability*	270	132
Dependent under 18	50	28
Disabled Dependent over 18	150	73

*1987 level is based on the Age Exemption.

The changes to the Manitoba Tax Reduction will result in larger tax reductions for many Manitoba families. Moderate-income families with children will benefit the most as a result of the enhancement of this program.

The 1987 Budget proposed a Manitoba High Income Surtax, to replace the former Personal Income Surtax, at an effective rate of 2% of net income in excess of threshold net income levels. Under last year's proposal, the thresholds depended on personal exemptions. Like the calculations for the Cost of Living Tax Credit and the Manitoba Tax Reduction, the new Surtax thresholds will be determined by adding fixed amounts applicable to a taxpayer's circumstances.

The following table shows the net income levels below which no Surtax will be applicable:

COMPARISON OF 1988 AND PREVIOUS SURTAX THRESHOLDS

	1988 Threshold	Previous Threshold
Single taxfiler	$30,000	$30,000
Single with two children	36,250	36,250
Married with dependent spouse and two children	37,500	37,425
Single senior citizen	32,500	32,400

Charts outlining the calculations are included in this section.

The following table shows the combined effect of the federal changes and Manitoba's adjustments. Manitoba's personal income tax revenues after credits for the 1988 tax year are expected to be about $52 million lower than if no federal or provincial changes had taken place.

EFFECT OF FEDERAL CHANGES AND MANITOBA'S ADJUSTMENTS ON MANITOBA INCOME TAXES AND TAX CREDIT PROGRAMS
1988 Taxation Year

Federal Changes:	
Basic Manitoba Tax	$49 M tax reduction
Net Income Tax before Reduction	13 M tax increase
Property Tax Credit	1 M benefit reduction
Subtotal	**35 M saving**
Manitoba Adjustments:	
Manitoba Tax Reduction	12 M benefit increase
Cost of Living Tax Credit	7M benefit increase
High Income Surtax	2 M tax increase
Subtotal	**17 M saving**
Manitoba Income Taxes after Credits and Reductions	**52 M saving**

MANITOBA COST OF LIVING TAX CREDIT

Basic Credit: Single $190; married or equivalent $380 _____

Age Credit: If you or your spouse are age 65 or over, add $110; if both over 65, add $220 _____

Disability Credit: If you, your spouse or a dependent claimed by you is disabled, add $110 _____

Credit for Dependents under age 18: $25 each _____

Credit for Disabled Dependents over 18: $60 each _____

Total _____

Subtract: 1% of Family Net Income _____

Manitoba Cost of Living Tax Credit _____

MANITOBA INCOME TAX

Basic Manitoba Income Tax:
(54% of Basic Federal Tax) (A) _____

Net Income Tax:
(2% of Net Income) (B) _____

Surtax:
Do not complete if your Net Income is less than $30,000

Net Income Tax (item B above) I _____

Basic Amount:	$600	
Married/Equivalent Amount: $100	_____	
Age/Disability: $50	_____	
Dependents under 18: $25 each	_____	
Disabled Dependents over 18: $40 each	_____	
Total		II _____

Manitoba High Income Surtax:
(I minus II; if negative, enter 0) (C) _____

Total: (A + B + C) (D) _____

Manitoba Tax Reduction

Basic Amount:	$430	
Married/Equivalent Amount: $370	_____	
Age/Disability: $270	_____	
Dependents under 18: $50 each	_____	
Disabled Dependents over 18: $150 each	_____	
Total		
Subtract: 2% of Net Income	_____	
Manitoba Tax Reduction		(E) _____

MANITOBA TAX PAYABLE: (D minus E; cannot be negative)

III. MANITOBA TAX EXPENDITURE ACCOUNT

Tax expenditures are provisions built into the tax system which give preferences intended to encourage individuals or enterprises to complement governments' social and economic policy objectives. They may take the form of tax exemptions, deductions, deferrals, reduced tax rates, or tax credits. Consideration of governments' fiscal positions and the extent of public activity in the economy is incomplete without an account of tax expenditures.

The Manitoba Tax Expenditure Account provides estimates of the Provincial tax expenditures for major items and categories of items. The estimates are calculated from tax collection, departmental and Statistics Canada data. The figures given are projections for 1988. A computer model was used to generate the income tax expenditure estimates. Some tax expenditures other than those listed could not be estimated because data are not presently available.

PERSONAL INCOME TAX

	1988 ($ millions)
Deductions and Tax Credits:	
• Contributions to:	
- Registered Retirement Savings Plans	36.3
- Registered Pension Plans	34.2
- Canada Pension Plan	13.6
• Unemployment insurance	16.6
• Charitable donations	16.6
• Dividend gross-up and tax credit	8.6
• Union and professional dues	6.3
• $1,000 private pension income	5.3
• Tuition fees and education credit	3.9
• Spousal credits transferred	3.7
• Child care expenses	3.5
• Other employment expenses	1.4
• Medical expenses	1.1
• $500 of research grants, bursaries and scholarships	0.2
Personal Credits:	
• Spousal and Equivalent	41.3
• Age and Disability	31.8
• Children and other dependents	9.0
Exclusions:	
• Employee benefits	46.3
• Life insurance and health benefits	24.1
• Veterans' and services' allowances and pensions	7.2
Other Provisions:	
• Preferences for capital gains	29.8
• 5-year block averaging provision for farmers and fishermen	0.5

CORPORATION INCOME TAX

	1988 ($ millions)
Deductions:	
• Small business deduction (lower tax rate)	24.7
• Partial exclusion of capital gains	14.8
• Excess capital cost allowance over book depreciation	11.6
• Fast write-off of Canadian exploration and development expenses and depletion allowances	7.7
• Patronage dividends by co-ops and credit unions	1.2
• Charitable donations	1.1

RETAIL SALES TAX

Exemptions:	
• Food	104.9
• Personal services	36.2
• Agricultural seed, fertilizer and pesticides	23.1
• Farm machinery and repair parts	21.0
• Books, newspapers and periodical publications	12.7
• Drugs and medicines	9.4
• Agricultural feed and livestock	9.2
• Meals under $6.00	8.1
• Public transportation (excluding air)	7.8
• Medical supplies, appliances and equipment	6.1
• Materials consumed in production processes	6.0
• Children's clothing and footwear	5.8
• Vehicle resale and mobile, ready-to-move and modular homes	4.3
• Purchased water	3.0
• Personal hygiene products	1.3

FUEL TAXES	1988 ($ millions)
Exemptions:	
• Marked gasoline and marked diesel fuel	36.2
Taxed at Lower Rates:	
• Marked diesel fuel for off-highway use	1.8
• Gasohol	1.5

LEVY FOR HEALTH AND POST-SECONDARY EDUCATION	
Exemptions/Reductions:	
• Employers with payrolls under $100,000/$150,000	17.2

CORPORATION CAPITAL TAX	
Exemptions:	
• Some crown corporations	10.7
• Corporations with taxable capital less than $1,000,000	10.5
• Family farm corporations	0.6
• Credit unions and caisses populaires	0.4
• Co-operatives	0.3